

THE INDEPENDENT

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Peter Clowes

Section Two, cover story

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See page 20 for token

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Secrets of
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Tory defeat over wives' pension split

All-party revolt in Lords upsets Mackay bill

PATRICIA WYNNE DAVIES
Political Correspondent

The Government suffered a humiliating defeat in the Lords last night as Tory rebels - including four former ministers - joined forces with opposition peers to vote to allow divorced women to share their husbands' pensions.

Intensive government efforts to "whip" Conservative peers to vote against Labour amendments to the essentially non-partly Family Law Bill failed by 178 votes to 150.

The changes, moved by Baroness Hollis of Heigham, Labour's Lords social security spokeswoman, seek to enshrine the principle of so-called "pension splitting" in the law, leaving detailed consideration of the means of putting it into practice.

The all-party victory brings the widely supported reform, which would also benefit less well-off husbands, forward by several years. It is unlikely to be reversed when the Bill goes back to the Commons.

The proposal would enable divorcing couples to divide pension assets - often one of the most significant assets of a marriage - at the time of divorce instead of having their financial affairs entangled for years.

Some divorced wives are at risk of being driven onto income support in their old age because their former husbands might die early - sometimes before a pension can be drawn at all.

A delighted Lady Hollis said that the move, which was backed by the pensions industry, the Law Society and the Mothers' Union, would save many divorced people from penury in old age.

Lady Hollis led revolt against Family Law Bill

Opposition minister, Lord MacKay of Ardbrecknish, who presided during yesterday's report stage, the technical difficulties of implementation and the potential long-term loss of tax revenue to the Exchequer.

Lord MacKay urged that a Green Paper published last week would enable all those involved with the issue to ensure that there was a properly worked-out plan on which a "measured and not an emotional judgement" could be taken.

But the noteworthy aspect of yesterday's rebellion was the

surprise within government and Conservative Party circles that the issue had been allowed to progress to a division.

During the Bill's committee stage it attracted wide cross-party support and a sympathetic hearing from Lord Mackay of Clashfern, the Lord Chancellor, who is managing the Lords stages.

While a number of supporters of yesterday's amendment were content for the details to be examined in a Green Paper consultation, they were determined to have the principle included on the face of the legislation to ensure progress was not thwarted for perhaps several years after the next election.

The wording of Lady Hollis's amendments might involve the Government in the embarrassment of having to help redraft them, and Lord MacKay of Ardbrecknish pointedly emphasised that the Government's opponents would be voting for the most sweeping "Henry VIII"- enabling clauses imaginable.

But ministers and business managers conspicuously failed to declare any intention of seeking to reverse the defeat when the Bill reaches the Commons. Commons whips are expected carefully to gauge the level of support, particularly in the light of the risk of embarrassing rebellions on other parts of the Bill.

Cross-bencher Lord Simon of Glaisdale, the strongly anti-divorce former law lord, accused the Government of "stonewalling" and of seeking to postpone action until after the election. The Law Society said that the change would have a valuable role to play in combating poverty in retirement.



Aerial battle: Protesters being removed from a treehouse yesterday. Photograph: Stuart Cook

Hopes of an 'imminent' IRA ceasefire dashed

DAVID MCKUTTRICK
Ireland correspondent

The IRA and Sinn Fein yesterday signalled that a renewal of the IRA cessation is not imminent in the wake of the Anglo-Irish summit which set 10 June as the date for all-party talks in Northern Ireland.

Sinn Fein president Gerry Adams described the prospect of a ceasefire in the next few days as "most unlikely". He was speaking after an unusual meeting at which he met IRA leaders in company with the leader of the SDLP, John Hume.

The republican leaders appear, following the summit, to be wavering between rejection of or acceptance of its offer of peace and acceptance.

talks. The signs are that the former may be impossible to them, while they are not yet ready for the latter.

An IRA statement, issued after the meeting took refuge in Delphic generalities, making no reference to the possibility of a ceasefire.

It said: "We pointed out to Mr Hume and Mr Adams that the failure by the British government to put in place inclusive negotiations free from preconditions, the abuse of the peace process by the British over 18 months, and the absence of an effective and democratic approach capable of providing an irrevocable momentum towards a just and lasting peace in Ireland were the critical el-

ements which led to the failure, thus far, of the Irish peace process."

John Major last night reacted angrily to the IRA army council's statement, describing it as "pathetic" and a "sick joke". Given the text in Bangkok during his trip to the Far East, the Prime Minister declared: "For 25 years the IRA have murdered and bombed. The people of Northern Ireland will be fed up to the back teeth and it is time they realised that democracy will go on with or without them."

An intensive round of talks is due to start in Belfast on Monday. Sinn Fein is to be input into these via meetings

TURN TO PAGE 2

Royal mission
The Japanese government is so worried about its imperial family running out of male heirs that it has dispatched envoys to several European countries, including Britain, to study whether the law may be changed to allow a woman to ascend to the throne. Page 11

University cuts
Universities are facing up to the biggest funding cuts in a decade and warnings that some might not survive until the government's review of higher education is complete. Page 9

Today's weather
Mainly dry with sunshine in the west. Section Two, page 33

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Kenyans leave Windies stumped

HUGH BATESON

Kenya joined the Faroe Islands, Colchester United and Buster Douglas yesterday when they produced one of the great sporting upsets of all time, defeating the West Indies in cricket's World Cup.

Their 73-run win over a side including the world's greatest batsman, Brian Lara, in Punti was ranks on sport's Richter scale alongside Colchester's 3-2 defeat of the then invincible Leeds United football team in the 1971 FA Cup, the heavyweight boxer James "Buster" Douglas's knockout of

Mike Tyson in 1990, and the tiny Faroe Islands' European Championship victory over Austria in the same year. It is by far the greatest shock the cricket world has seen.

The West Indies, the leading cricket nation for the best part of 20 years from the mid-Seventies, collapsed in truly spectacular fashion to Kenya's amateur team of salesmen, students and businessmen.

Chasing only a moderate target of 166 they could not even muster 100 runs between them, being bowled out for just 93. Their captain, Richie Richardson, scored five, Lara eight,

Sherwin Campbell four and Kelvin Arthuron a duck, as they tumbled to 35 for 4. That soon became 81 for 8 and the game was up.

Maurice Odumbe, the 25-year-old insurance salesman who captains Kenya, was the star of Africa, taking three wickets with his off-spin and getting a smart run-out with a direct hit on the stumps. "We came to the World Cup to prove that we could play and I think that we did prove that today," he said. "It is like having won the World Cup."

The bookies still rate the West Indies a slightly better bet for the Cup, though - they are 16-1, while Kenya are 500-1. And unlike previous sporting shocks, they seem to have escaped this one scot-free; none of Britain's leading three bookmakers took a single bet on Kenya to win yesterday - they were 16-1 at the start.

But if Kenya go home without winning another game they will not leave the sub-continent empty-handed. Lara went into their dressing-room to congratulate the visitors after the game, and dutifully acceded to their request to have his picture taken with every team member.

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news

Hong Kong tycoons gave Tories £3.8m

CHRIS BLACKHURST
and DONALD MACINTYRE

Hong Kong businessmen gave £3.8m to the Conservative Party in the run up to the last general election in 1992, it was claimed yesterday, a higher figure than was previously thought, including £2.5m from seven influential tycoons.

Labour made the disclosure to embarrass the Prime Minister ahead of his visit to the Colony at the weekend, which

they claimed was designed to boost party coffers in time for the next election. This was denied by Downing Street which said Mr Major's trip next Sunday and Monday was "solely on Government business".

New details of donations to the Tories from Hong Kong shortly before the last general election showed that of the £3.8m raised from the Colony, £1.5m was from the local branch of Conservatives Abroad and the remainder

came from seven millionaires.

At question time in the Commons, Labour's deputy leader, John Prescott, angrily demanded assurances from Michael Heseltine, the Deputy Prime Minister, standing in for Mr Major who is in Bangkok. The trip would not be used to tap the tycoons for funds for the next election.

Mr Prescott seized on an equivocal recent answer from Mr Major to Stephen Byers, the Labour MP, who had asked

whether he would be meeting the main contributors from 1992 this weekend? In his reply, Mr Major said he hoped to meet "a broad range of businessmen, politicians and opinion formers" during his visit.

Mr Byers asked: "Will you tell the House why the Prime Minister refused to answer parliamentary questions about the names of the people he will be meeting on his publicly funded visit to Hong Kong?"

Mr Heseltine said: "I haven't

the slightest doubt that the Prime Minister's programme will remain flexible during the course of his visit."

Mr Byers claimed that seven Hong Kong millionaires had funded the Tories to the tune of £2.5m in the run-up to the last election. He said that evidence from company returns, biographies and Asian press reports, showed gifts from Sir Y K Pao, the shipping magnate, now dead, who gave £1.5m; Li Ka Shing, the Hutchison telecom-

munications billionaire, who donated £900,000; David Choy, who donated £1.25m; Rong Yiren, founder of China Investment Trust and Investment Corporation, who gave £100,000; Stanley Ho, owner of casinos on nearby Macau, who donated £100,000; T T Tsui, who runs a business empire embracing tourism, transport and broadcasting interests, and gave £100,000; C H Tung, a shipping magnate, who gave £50,000.

Several of the seven, notably Li Ka Shing, Mr Yiren and Mr Ho, enjoy close ties with Beijing. Mr Tsui and Mr Ka Shing sit on the Hong Kong consultative committee to smooth the handover in 1997 to China.

Downing Street said the Prime Minister's three meetings scheduled with Hong Kong businessmen were all open affairs. The senior aide travelling with the Prime Minister said that Mr Major would definitely not be engaging in party fund raising during his visit.

Royal visit: Prince to raise concerns over long-term environmental effects of Sea Empress disaster

Population of Sooter ducks falls victim of oil spillage

NICHOLAS SCHON
Environment Correspondent

A small, dark and mysterious duck is the main victim of the *Sea Empress* oil spill. A large fraction of the entire population of Sooter ducks wintering in British waters are in danger of being wiped out.

"There were about six thousand — about one-fifth of the total British population — in Carmarthen Bay, west Wales, when the supertanker ran aground two weeks ago. Most have been oiled and are likely to die. By last night about 2,300 had been rescued from the beach, but more than 1,000 had been found dead."

This species has suffered above all," said Euan Dunn, marine police officer with the Royal Society for the Protection of Birds. "It's safe to say that over half the birds in Carmarthen Bay are likely to succumb, and this is their most important British site."

The Prince of Wales learnt of the oil spill off seven of the Severn during a three-hour visit to the Milford Haven area yesterday. He spoke to fishermen, representatives of the tourist industry and environmental bodies. Today he will raise their concern with William Hague, Secretary of State for Wales.

He was briefed on the clean-up operation and told that eight small fishing boats — one called *The Lady Diana* — are being used to collect oil in near-shore waters using floating booms.

The Prince visited only one beach at West Angle Bay and this had already been cleaned fairly thoroughly. Two miles away at Freshwater West, which has received repeated slickings, there were large quantities of oil and no clean-up staff.



Oil casualty: RSPCA Inspector Jo Nash with a dead duck at the cleaning centre in Milford Haven (Photograph: Rob Stratton). Below right: A healthy Sooter

They were all working at full stretch at beaches further to the east. Large quantities of oil continue to come ashore along a 20-mile stretch of coast, some of them hitting beaches which have escaped until now.

Some of the people the Prince met asked for a public inquiry, as well as the Department of Transport's marine accident investigation. The Deputy Prime Minister, Michael Heseltine, assured the Commons yesterday that the inquiry into the *Sea Empress* spill will be "thorough and independent".

Paul Flynn, the Newport West Labour MP, asked him: "Will you give an undertaking that the full inquiry will take place, preferably under Lord Donaldson, and that

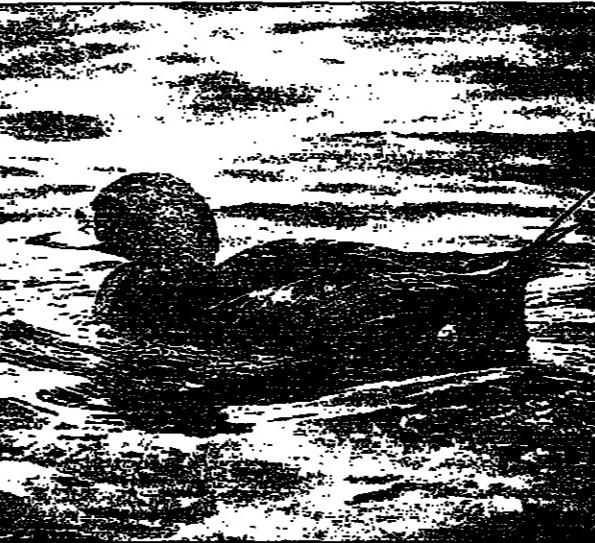
inquiry will be public and entirely independent?"

Mr Heseltine replied: "The Marine Accident Investigation Branch will carry out a thorough and independent inquiry into the cause of the incident and the conduct of the salvage operations."

Nick Ainger, Labour MP for Pembroke, said advanced radar coverage installed at the mouth of Milford Haven had been out of action for six months before the tragedy.

The Government, keen to minimise the political fallout from the disaster, yesterday announced that the insurers of the *Sea Empress* are establishing a claims handling office immediately in Milford Haven. Mr Hague and Lord Gosechen,

Promising off a final shipment of oil from the tanker was due to begin early today and should be completed tomorrow. All but one of its 14 cargo tanks were holed during the grounding and subsequent salvage attempts and about 70,000 tonnes poured into the sea.



Irish peace process: PM makes IRA an offer it will find hard to refuse

Momentum for talks builds as Major joins 'right' side

DAVID MCKITTRICK
Ireland Correspondent

Pressure on the IRA to move towards a new ceasefire is being maintained at a high level largely because John Major has, in the eyes of nationalist Ireland, finally put himself on the right side of the talks issue.

That opinion also holds for a sizeable though less publicly vociferous section of Unionist opinion, which has also come to the conclusion that talks hold the key to progress.

At this week's Downing Street summit Mr Major came to endorse the view strongly argued by Dublin and Social Democratic Labour Party leader John Hume, that a clear timetable and path to talks should be laid out. In doing so he not only met Sinn Fein's request for the setting of a fixed date for talks but also joined the consensus in favour of a swift move to the table.

The enthusiasm for talks was reflected in an opinion poll carried out in mid-February, following the Docklands bombing, for the Dublin *Sunday Independent*. This found that, even in the absence of an IRA ceasefire, all-party talks were favoured by 85 per cent in the Republic and 56 per cent in Northern Ireland. With an IRA ceasefire in place, the figures rose to 94 per cent and 80 per cent respectively.

The enthusiasm for talks was

land and Britain said he should bear some of the blame. This was reflected in another opinion poll which indicated that more than 70 per cent of people in the Republic held the British government responsible for the collapse of the ceasefire.

That collapse seems if anything to have increased the numbers favouring talks. While Unionist leaders continue to exclude resistance to talks, elements in the Protestant community as disparate as senior business men, police officers and loyalist paramilitaries say there must be discussions.

With this wee discussion, Major has shifted his position. He is no longer seen as one determined to delay the process indefinitely, and at those who joined the ranks of the table to say that getting to the door is a matter of urgency. In doing so he has taken the moral and political high ground, and made the IRA an offer which will find difficult to refuse.

The IRA ceasefire of August 1994 was widely seen as vindication and justification of the policy of holding dialogue with elements such as Sinn Fein. In its wake many Unionists said privately that talks with Sinn Fein were inevitable, but Unionist political leaders favoured delay.

Mr Major's endorsement of this approach was one reason why, when the ceasefire broke down, sections of opinion in Ire-

IN BRIEF

Sailor rescued in spy ship farce

A Russian seaman suffering from appendicitis was washed off a spy submarine yesterday, assisted by a Royal Navy ship from the Nato exercise for which the Russians were spying.

After a bizarre exchange of signals between the submarine's base and the British embassy in Moscow, the destroyer HMS Glasgow left the manoeuvres to rendezvous with the submarine 90 miles north of Lewis in the Outer Hebrides.

£2m charity gift

The charity Save The Children has been bequeathed its largest personal gift, more than £2m, by Violet Evans, of Bexhill, East Sussex, in appreciation of the work of its president, the Princess Royal. Mrs Evans died last October, aged 94.

Airport tragedy

An aircraft engineer was crushed to death when the undercarriage of a plane fell on him in a hangar at Coventry airport. Ian Mitchell, 26, of Long Itchington, Warwickshire, died in hospital after the accident. The Health and Safety Executive has begun an investigation.

Free check-ups call

Dentists called for the reinstatement of free check-ups after a survey showed that one in two people would have their teeth examined more often if charges were abolished. The Harris poll of more than 1,000 people was carried out for the British Dental Association.

Actor remembered

TV and theatre stars attended a memorial service in London for Paul Eddington, who played Jim Hacker in *Yes, Minister*. He died on 5 November last year after a prolonged illness caused by a rare form of skin cancer.

Mark of affection

A husband who carved his initials on his wife's bottom with a hot knife at her request did not commit an assault, three appeal judges ruled. Quashing the conviction of Alan Wilson, 38, from Doncaster, Yorkshire, they said his wife Julie regarded the marks as "a desirable personal adornment".

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GOLDEN GLOBE WINNER
NOMINATED BEST ACTOR

LEAVING LAS VEGAS.
A MICHAEL STIGGERS FILM

AT CINEMAS NATIONWIDE NOW

Escaped convict phones paper

A convicted robber who went on the run after attempting to subdue police who shot him during a post-office raid said last night: "I just want to clear my name."

Steven Charalambous, 26, absconded from Holliesley Bay Colony open prison in Suffolk, when his plans to sue Metropolitan Police Commissioner Sir Paul Condon caused a legal row. He is claiming £250,000 damages for physical and emotional pain during his arrest in February 1992. He says police committed unlawful assault and "trespass to the person".

But in a statement on Wednesday, the Legal Aid Board said it had supported his legal aid and would not allow Charalambous to take his case to a court hearing.

In a two-minute phone call to the London *Evening Standard* newspaper, Charalambous claimed: "I am not on the run officially. I have taken three days off and am going to hand myself back." He left the jail a large working farm for categories C and D inmates — on Wednesday in order to put his side of the case. He said: "I was shocked and outraged at what they wrote in the newspapers."

Charalambous, of Finsbury Park, north London, was jailed for five years after admitting conspiracy to rob and firearms offences. He had been shot three times by police marksmen after he ignored calls to drop his gun, which was on imitation.

When recaptured, Charalambous will be returned to a closed prison. He could have extra time added to his sentence.

DAVID MCKITTRICK
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news

Treatment hope: Finnish discovery prompts search for vaccine that could 'eliminate disease'

Virus linked to cervical cancer

GLENDA COOPER

Cervical cancer could be dramatically reduced by routine testing for a virus which smears are taken, doctors said yesterday.

The virus which is a common one, infects about one in 20 women, has no symptoms and is generally transmitted through sexual intercourse.

If a vaccine for the virus could be developed the deaths from cervical cancer, currently 500,000 worldwide each year, could be drastically reduced.

The human papillomavirus type 16 (HPV 16) - related to

wart viruses - is said to be "the major factor" linked to cervical cancer according to a paper by researchers in Finland in the *British Medical Journal* today.

Dr Peter Sasieni, epidemiologist for the Imperial Cancer Research Fund, said the discovery had great implications for the treatment of the cancer.

"There are both short-term and long-term things we could do which would aid us. We could put a test for the virus into the cervical screening programme."

"We know that the cervical smear test is not perfect, but if

we were testing for the virus we would not miss the proportion that we miss at the moment."

About 4,000 cases of cancer and 18,000 cases of pre-cancer are detected annually in Britain. There were 1,369 deaths from cervical cancer in 1994, most among women who had never been screened. A scheme set up in 1988 and offering a three or five-yearly test to women aged 25 to 64, is estimated to save 1,000 to 2,000 lives a year.

More than 18,000 women in Finland were invited to a health examination between 1966 and 1972 which included asking

about medical history, smoking and taking a blood sample.

All those who had given blood and were free of cancer at the time were followed by public health researchers.

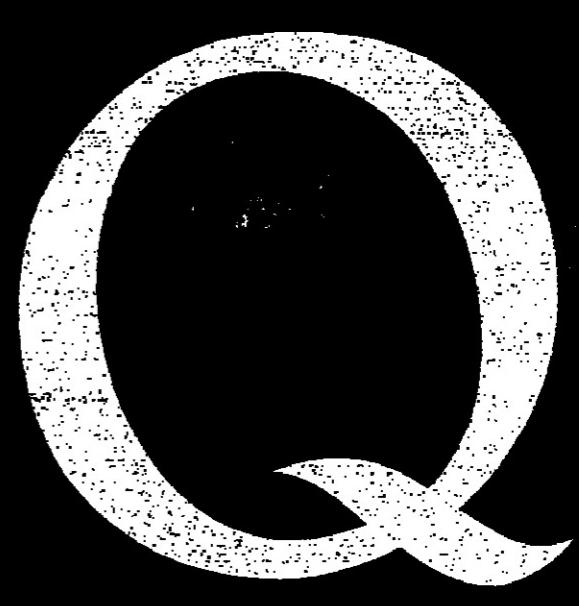
In the study, between 65 and 95 per cent of cervical cancers contained the human papillomavirus DNA. About half of the patients with cervical cancer tested positive for antibodies to HPV 16.

Nearly a quarter of the women found to have developed cervical cancer by 1991 had detectable antibodies when the survey started, and addi-

tional women may have become infected during the average time gap of 10 and 23 years between taking the sample and development of the cancer.

If a woman was found to have the virus then, as happened with a positive smear test, she was sent to a gynaecologist for a colposcopy which identifies precancerous tissue by examining the cervix. If pre-cancerous cells were found a small biopsy or laser treatment was carried out.

Although there was thought to be a link between herpes and cancer of the cervix, the study

New issue OUT NOW!

"The only way you can really disgrace yourself is by being dead boring."

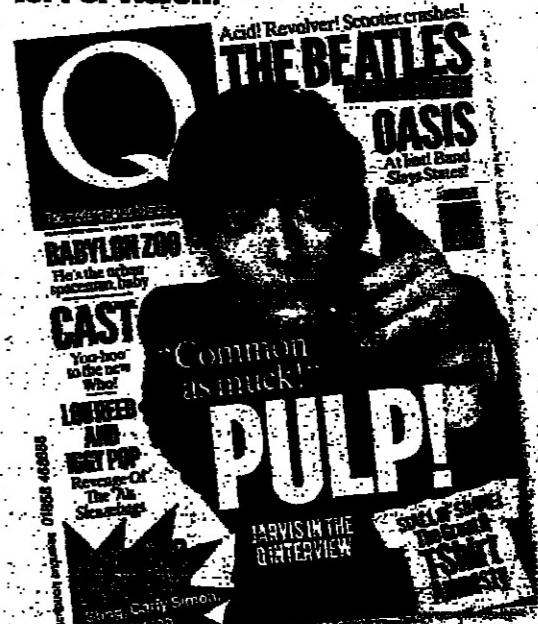


He's lanky. He's louche. He's the poet laureate of low-life - and, in the wake of that Michael Jackson incident, **Pulp's Jarvis Cocker** is the tabloids' favourite whipping boy. This month, he tells Q, "The more you show your arse at public functions, the more people like it."

PLUS! On top of the world with **Babylon Zoo**, down the trousers of **Lady Pop**, behind the smile of the new, improved **Lou Reed**, into America with **Oasis**, and all over the shop with **The Beatles**.

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AND! In the world's only cordless Reviews section: **The Who, Sting, Carly Simon, Afghan Whigs and Terrorvision.**



QUIT NOW!
DO YOU REMEMBER THE FIRST TIME?



Camping out: Die-hard Cliff fan Phil Finnimore keeps warm while waiting for tickets to go on sale for the star's new musical

Photograph: Mike Sharp/Newsbeam

... but Radio 1 'ban' is no fun for Status Quo

ROS WYNNE-JONES

The rock band Status Quo yesterday began legal proceedings against BBC Radio 1, claiming the station has issued a "blanket ban" on producers playing its records. The group's lawyers issued a writ for breach of contract and made an application for a judicial review over whether the station's alleged playlist ban is unlawful.

"Someone seems not to like us at Radio 1," said Francis Rossi, the band's lead singer. "But the staff are not paid to be taste-makers. They should play the current Top 40, which is their remit."

The row is being seen by Radio 1 as a reflection of the changing face of the station: where once Frankie Goes to Hollywood's single "Relax" was banned for referring to oral sex and the Sex Pistols' "God Save The Queen" was deemed un-



Rick Parfitt (left) and Francis Rossi. Photograph: John Voss

Censored singles	
Five successive songs censored by Radio 1's playlist since 1990:	
Robson and Jerome: I Believe	
John Alford: When Smoke Gets in Your Eyes	
Mr Blobby: Mr Blobby	
Michael Barrymore: You Much For One Heart	
Cliff Richard: Mountain Man	
Five top songs Radio 1 banned before 1990:	
Frankie Goes To Hollywood: Relax	
Six Pistols: God Save The Queen	
BMX Bandits: Sonics Drift	
Paul McCartney: Give Ireland Back To The Irish	
Nirvana: Rape Me	

went straight into the chart at number 24 this week," said: "Fortunately, as the current charts reflect, we do not depend on Radio 1 alone for our success or indeed our survival."

Declaring that the head of Radio 1's production department, Trevor Dann, had acted unlawfully, the band's statement continued: "Our application for a judicial review is based on the belief that every record of every artist should be given fair consideration and that Mr Dann is abusing his power by unilaterally declaring that Status Quo do not fit the demographic of Radio 1 FM's audience."

The group's guitarist, Rick Parfitt, said: "We don't mind if people don't like our records - many people don't like our records. The station

has different tastes and Radio 1, which is run on licence payers' money, should reflect that. The breach of contract, over

which the band is suing, relates to two verbal agreements Status Quo alleges Radio 1 made in 1992 and 1993. Status Quo claims that when the station was attempting to persuade the band to headline its 25th birthday party and to appear at Radio 1 roadshows the band was promised "all reasonable consideration in relationship to their playlists and broadcasts" as an "inducement".

Although Radio 1 confirmed that "Fun Fun Fun" is not on its playlist, the station no longer ban records as such. Friday afternoon meetings of producers and Mr Dann decide the records for the next week and the list is published the following Monday, when bands can see whether their single has made the playlist. The station found that banning records, as in the case of "Relax", had a tendency to catapult a single to number one.

Mrs Howard's 'sorry' by fax

COLIN BROWN
Chief Political Correspondent

The curse of the fax machine caused fresh pain at Conservative Central Office yesterday, after a private letter to a Tory rebel from the wife of the Home Secretary, saying his treatment by the party was "monstrous", came out on the wrong fax machine.

Michael Howard faced embarrassment after the personal message of sympathy from Sandra Howard to Peter Thurnham, the MP who resigned the Tory whip in protest at the Scott report, and his wife Sarah, became public when it was inadvertently faxed to a newspaper.

In the letter, Mrs Howard, a former model, wrote: "I do wish you could stay in the fold - that I know sounds ridiculous but we care on personal grounds. I know how poorly you're treated. It's monstrous but it's not the fault of the whole body of Conservatives, sensible and honest and caring as the vast majority are..."

She added: "Michael has no idea that I'm writing [and trying to defend the Government and the party] but he and I have such a bottomless well of admiration for you both and feel so desolate that you should have felt so badly as to not be

Crash costs Dunlop £600,000

Dunlop, the tyre manufacturing giant, agreed yesterday to pay almost £600,000 in damages to four members of family involved in a motorway accident which claimed the life of a 14-year-old girl and left eight people seriously injured.

The accident happened as the Carroll family, of Grove, Oxfordshire, was travelling along the M4 near Swindon in an Austin Princess. A rear tyre on a Ford Cortina, carrying five people, blew out and caused the car to mount the central reservation before smashing into the Princess. Lolita Barclay, 14, from Bristol, a passenger in the Cortina, was killed.

The dead girl's family and the injured sued Dunlop at the High Court in Oxford. A lawyer for the Carrolls claimed that the Dunlop SP4 165 radial tyre concerned had a fault and that a huge section of tread flew off because of inadequate bonding of rubber to steel cords.

After yesterday's settlement, Mrs Susan Carroll, who suffered severe head injuries and now has partial sight, is to receive £50,000; her husband Alan £22,000; daughter Catherine £15,000; and son Stephen £10,000. Judge Kenneth Wilson-Mellor will deliver his formal judgment in court on Monday.

BBC's queen of soaps poached by Channel 5

MARIANNE MACDONALD
Media Correspondent

Corinne Hollingworth, executive producer of *EastEnders*, is to become controller of drama at Channel 5 in a move which signals its intention to fight ITV for mass audiences.

Her defection is the latest in a string of high-level poachings from the BBC by Dawn Airey, Channel 5's 34-year-old director of programmes.

Earlier this month she announced the appointment of Tim Gardam, head of weekly programmes for BBC news and current affairs, as controller of news, current affairs and documentaries. She has also poached Michael Attwell, the BBC's commissioner of factual programmes, to head up features and arts. David Bergin, BBC1's scheduler, is joining as controller of planning at the channel which starts on New Year's Day.

Ms Hollingworth, a workaholic, has gained a reputation for winning huge drama audiences by concentrating on human interest storylines. She also produced *Casualty* for the BBC.

At *EastEnders* she spiced up storylines by having Michelle get pregnant by her former bête noire Grant Mitchell, throwing Ricky into a love triangle with

his wife Sam and girlfriend Bianca and introducing the "Sharongate" tape heard by Grant in his car. Audiences earlier this month were 21.5m, more than a million higher than *Coronation Street*.

She was brought in to perform the same magic at *Casualty*, the hospital drama, two years ago. She pushed up viewing figures to almost 18 million by switching the focus to the lives of the characters.

But the industry has not forgotten her one flop - *Eldorado*, the BBC's dire sun and sangria soap set on the Costa del Sol. Ms Hollingworth was brought

in to turn it around but despite adding a million viewers the soap was axed in 1992.

Viewers can look forward to a popular drama output on Channel 5. Its bid document promises 16 to 20 hours of original drama in the first year.

Emphasis will be on generic drama, including a *Casualty*-style serial called *Lifetime* about young doctors and nurses, *Mothe Lane*, about trainee police officers, and *DJs*, about an inner-city legal aid practice. Reheats will include *Beverly Hills 90210*, *Minder* and *Rumpole of the Bailey*. There will also be a diet of game shows and current affairs.

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4 news

West's former solicitor suspended for a year

WILL BENNETT



Frederick West: Discussed film of murder case

Howard Ogden, the serial killer Frederick West's former solicitor, was yesterday suspended for a year for unbecoming conduct, but cleared of trying to cash in on his former client's notoriety.

Mr Ogden, 42, from Cheltenham, Gloucestershire, was also ordered to pay half the costs of the solicitors' disciplinary tribunal hearing, which are likely to be several thousand pounds. The tribunal was told that he got West to sign a form which waived his right to professional confidentiality.

The tribunal also heard that West and Mr Ogden jokingly discussed a film of the murder case and talked about which actors and actresses would play the various parts.

Yesterday's case arose out of the decision by West to sack Mr Ogden in August 1994 amid allegations that the solicitor was trying to sell the book and film rights to the case for £1m.

Mr Ogden admitted two allegations yesterday that he had behaved in a way which com-

plained or impaired his professional reputation and that the waiver agreement had caused a conflict of interest between himself and West.

But he denied that the agreement either gave him or might have acquired him an interest in publication rights in the West case and the tribunal found in his favour on this allegation.

He said that Mr Ogden initially denied the existence of such an agreement, but was

eventually forced to hand over all material relevant to the case by a court order obtained by West's new solicitor.

A statement from West was read to the tribunal which said: "It became clear that Mr Ogden's main concern was to get information from me to write a book."

Mr Ogden told the tribunal that he accepted that he should not have put Mrs Leach in the position of becoming a witness and that he should have allowed West access to another lawyer.

But Mr Ogden denied that he intended any financial gain from a book adding: "All I set out to do was to follow my client's instructions which were to be in a position to discuss this with somebody. I believe that that was all the waiver of confidentiality was about."

But Philip Hodson, chairman of the tribunal, told him: "With the exceptional circumstances of the West case it was important for the respondent to take exceptional care and ensure he dealt with all matters in a scrupulous professional manner. This he failed to do."



Suspended: Howard Ogden

Photograph: Photoworks

Spin doctors come into play on a matter of title

JAMES CUSICK

The spin doctors from Britain's rival royal courts were yesterday in conflict. Buckingham Palace and the Princess of Wales's own media adviser continued at odds over the future title, role, residence and divorce settlement to be awarded to the princess.

After a day of quiet briefings and contradictory statements from her own office and the Palace, Diana cancelled a pre-arranged charity event. Her mood was described as "very upset and decidedly sad".

The Princess of Wales's private lobby was, according to discreet sources, describing a sad, lonely, almost neglected royal recluse all alone in the vastness of Kensington Palace. Her newly appointed media adviser, Jane Atkinson, said the Princess had reluctantly withdrawn from the British Red Cross 125th anniversary celebration. "The Princess wants a few days of quiet at home," she said.

Elspeth Thomas, chairman of the BRC council, said: "We are very sorry that HRH the Princess of Wales is unable to attend our event, but we fully understand and support the reasons for her decision."

The Prince of Wales, in contrast, was confounding with his royal duties. He visited the oil-spill coastal areas of Pembrokeshire.

He should have been asked by the chasing media how he felt about the environmental disaster and plans that would stop another. But the only interest in oil was on the troubled waters of the royal marriage.

Divorce lawyers were yesterday described as "hard at work".

by one royal source. The Princess's firm was seeking clarification from Buckingham Palace over her title after divorce. Despite her announcement on Wednesday that she would be called Diana, Princess of Wales, it emerged later that she would no longer be styled Her Royal Highness. But who agreed or ordered the removal of HRH?

There is also disagreement over whether or not there was a deal. Diana should keep her Kensington Palace apartment and offices at St James's Palace.

The Princess, following a meeting on Wednesday afternoon with the Prince at St James's Palace, believed such things were resolved. So her advisers are saying in public. The Palace insist that, apart from an agreement to divorce, there was no deal.

According to a Cambridge lecturer in international politics, "We are being treated to a splendid drama. I can't wait for the next act. But please don't mention me by name ... the knight hood, you know."

Diana's office say they are attending to the mess. Ms Atkinson said: "We are hoping the current situation can be cleared up very quickly and that negotiations can then continue in private. But we have agreed to differ with the Palace over whether the Princess decided to drop the style Her Royal Highness."

The constitutional expert Lord St John of Fawsley said that Diana would remain a member of the Royal Family. "She must be a member of the Royal Family because she is the mother of two of the princes. It is a tie of blood and family that cannot be deleted," he said.

IVF couple 'will fight for others'

GLENDA COOPER

A couple who were told they were too old to have fertility treatment on the NHS pledged to continue the fight for other couples in their thirties as they showed off their three-week-old son for the first time yesterday.

Julie and Michael Seale thanked the anonymous businessman who paid for the test-tube baby treatment which enabled them to become a "real family" but added that they would keep pressuring the Government to adopt a national policy on fertility treatments.

Mrs Seale, 38, from Sheffield, South Yorkshire, was told two years ago that she was too old to be accepted for in vitro fertilisation [IVF] treatment under her local health authority's rules, which lay down an upper age limit of 35. Had the couple lived in Wakefield - just eight miles from their home, but covered by a different health authority - Mrs Seale would have been eligible for NHS treatment until she was 42.

She had been trying for a baby for seven years and had undergone six operations, only to be told that her only chance of conceiving was through IVF.

The couple unsuccessfully took Shetland Health Authority to the High Court to chal-

lenge the policy, as they could not afford the £2,000 cost of the fertility treatment which had only a 25 per cent success rate.

After they failed, an anonymous London businessman donated the money and Mrs Seale, who was treated at the reproduction research and treatment unit and Nottingham University, became pregnant at her second attempt. Their baby, Jordan, was born on 5 February.

Mrs Seale told their benefactor, who has been sent pictures of Jordan via his solicitor: "I want to thank you for making us a family ... if it wasn't for you, Jordan would not have been born."

She said yesterday: "We are going to keep up the fight for other couples even though we may be a small voice in the wilderness." Mr Seale added: "It is appalling that there is up to 15 years' difference in the availability of IVF on the NHS and people can only have it if they've got the money to pay."

Dr Simon Thornton, medical director of the clinic where she was treated, said the IVF situation in other countries was much better. "In Australia, the government funds the system so that couples have six attempts on the health service, and in Israel couples have as many IVF attempts as it takes to have two children."

Doctors unable to work equipment to save girl

Ten doctors in an operating theatre were unable to work a piece of equipment that could have helped save the life of a 14-year-old girl after a routine operation went wrong, an inquest was told yesterday.

Janine Connor, of Ashton-under-Lyne, Greater Manchester, went into Withington Hospital, Manchester, for cosmetic surgery to pin back her ears, which had embarrassed her since she was seven.

With the operation complete, Janine suffered a cardiac arrest as she was coming out of general anaesthetic, the inquest at Swinton, Greater Manchester, heard. Two old defibrillator machines - used to provide an electrical shock to stimulate the heart - were brought into the theatre, but doctors were unable to operate them.

Up to 10 vital minutes were lost in the attempt to revive Janine before a third, more modern defibrillator was found and used on her.

The solicitor for Janine's family, Neil Kinsella, asked the surgeon David Whiby: "Don't you think it is extraordinary that out of 10 doctors, nobody was able to operate this defibrillator?" Dr Whiby replied: "Yes." Over half an hour after the

arrest began, surgeons managed to get Janine's heart working by manually massaging it after cutting open her chest. She was transferred to the intensive care unit at the Manchester Children's Hospital but died six days later without regaining consciousness.

Doctors who gave evidence agreed that defibrillator treatment should be given as soon as possible. The inquest continues.

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news

Rail link to cut London to Paris trip to 2½ hours

CHRISTIAN WOLMAR
Transport correspondent

Rapid transit between European capitals came closer to reality yesterday when the contract for the £5bn Channel tunnel rail link was finally awarded to a consortium. When the link is completed in 2003, Paris will be reached in two and a half hours by train from London, while Brussels could be reached in just under two hours.

But the consortium, which includes Richard Branson's Virgin group, is at the centre of a fierce row over the extent of government funding for the scheme.

Sir George Young, the Secretary of State for Transport, announced in Parliament that London & Continental, a consortium of eight companies, would receive £1.4bn at present prices in subsidy to build the link. In addition to the 68-mile high-speed rail link between St Pancras and the mouth of the tunnel at Folkestone, which is expected to cut about half an hour off the journey to Paris and Brussels, the consortium will also build stations Stratford in east London and the as-yet non-existent Ebbsfleet in Kent.

From April, as part of the deal and to provide it with a source of revenue, L&C will be given the assets of European Passenger Services, the British arm of Eurostar. Sir Derek Hornby, chairman of L&C, said:

that Eurostar was at present losing money and the consortium's first priority was to turn it around. "At the moment it has 3 million passengers per year, and that's not enough. It is a very good service but there has been a failure on the marketing and ticketing side."

He said that by 2000, there would be "more than double" that number using the service. At present, loadings have been around 50 per cent on the Paris route and under 30 per cent on the Brussels line.

L&C's bid included a connection to the West Coast main line, which means that trains from Manchester, Birmingham and many other regional centres

will be able to connect directly with the Channel tunnel. Sir Derek envisaged an hourly service to Paris from Birmingham and Manchester, with the intermediate stop at Stratford rather than St Pancras, which will save up to an hour.

The French section of the route is already a high-speed line with trains travelling at 186mph, while the Belgian section is due to come into use in two phases over the next two years, saving half an hour on the journey. The decision to build an international station at Stratford surprised and delighted local MP Stephen Timms who said: "The decision makes Stratford the natural base for the growing number of European companies looking for locations in London."

Sir George replied that he did not believe the delay had cost more and added that the project was not just about transport but regeneration as well.

Lottery cash for school sport

FRAN ABRAMS
Education Correspondent

Every primary school child in England will have access to sports facilities, coaching and kit under a £12m scheme funded by the National Lottery.

The programme, announced yesterday by the Sports Council, is designed to tackle growing fitness problems among a generation of youngsters

hooked on television and computer games.

Up to 4 million children are expected to be involved in the next three years, helped by 250,000 staff at 53,000 schools and community centres.

The scheme is designed to meet the Prime Minister's pledge to bring every child in every school within reach of adequate sporting facilities by the year 2000.

Schools will be sent a bag of equipment and a set of activity cards, and teachers given training in how to use them. Children between four and nine will be taught co-operation, ball skills and teamwork. A separate and overlapping scheme for those aged seven to eleven will introduce them to mini versions of hockey, netball, cricket, rugby, tennis, table tennis and basketball.

Three police instructors who taught other officers how to use CS sprays are attempting to sue for alleged injuries caused by the incapacitant.

News of the actions come as 16 forces in England and Wales started trials of the CS devices.

Civil liberty groups and critics believe not enough is known about the spray, which they fear could lead to deaths and a flood of litigation.

The training officers are understood to be seeking compensation for blistering caused to their skin after exposure to the spray during pre-trials. The claims for damages are the latest blow in the run up to the six-month trials of the hand-held CS spray which start today among 2,500 patrol officers.

In one of the three cases a

Metropolitan Police inspector said he suffered 50 per cent burns to his eyes and had to have them covered for five days. He has claimed that the spray could cause severe injuries. His case led to the postponement of trials last year.

Two other instructors, understood to be from Surrey, are also seeking damages after they suffered blistering.

The Home Office and the Association of Chief Police Officers argue that the CS spray has been thoroughly tested and is safe if proper aftercare is used.

Merseyside, Greater Manchester, Avon and Somerset, Cambridgeshire, Cleveland, Dorset, Durham, Dyfed-Powys, Kent, Leicestershire, Northumbria, North Yorkshire, West Mercia, and West Yorkshire.

If trials are successful, police throughout Britain could be issued with them. The CS powder is mixed with a solvent inside the canister and sprayed into the face. It takes immediate effect and causes streaming eyes and nose, eyelid spasms, breathing difficulties, and in some cases blistering to the skin.

Police to sue over CS spray injuries

JASON BENNETT
Crime Correspondent

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Nevertheless, earlier this month one of Britain's leading police self-defence experts was burned from training officers on how to use CS sprays because his chief constable was worried about being sued by people injured by it. Inspector Peter Boatman, a training officer from Northamptonshire police force, has been barred from teaching officers outside his region after Ted Crew, Chief Constable of Northamptonshire, said he feared his force could be sued if someone was injured by the spray.

Trials of the CS canisters, which have a range of up to three metres, will last six months. Police forces involved will be the Met, West Midlands,

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news

Camelot told to justify lottery profits of £65m

REBECCA FOWLER

Camelot, operator of the National Lottery, admitted yesterday that it expected to make a pre-tax annual profit of £65m, but denied being granted a "license for daylight robbery".

The profits, which equate to £100,000 for each of its 600 employees, were scrutinised by the all-party Commons Select Committee on National Heritage. Sir

John Goss, Tory MP for Hendon North, asked: "How can you possibly justify the sort of money you are making?"

The directors of Camelot defended their 3 per cent cut from the lottery, to cover their costs and profit on the basis that the company and its investors had taken a substantial risk in setting it up.

Tim Holley, chief executive, said they faced daily fines of £1m

if they had postponed the launch. He defended their profits on the basis that under the lottery licence, the greater the turnover, the smaller the percentage profit for the operator. He said that they would never make more than 1p in the pound from it.

Since the lottery was set up 15 months ago, it has been an unprecedented success with up to 40 million people playing each week, more than vote in

the general election. However, Mr Holley said he was anxious that it should not "overheat".

Camelot will bring out new games, including the mid-week draw, gradually to ensure that the public is not saturated by lottery fever. "My concern is that we don't throw everything in the pot in the first year or so, and cannot sustain it over a long period," he said.

The company denied that it

had set sales targets for the 25,000 outlets that sell lottery tickets in Britain as part of an aggressive marketing campaign.

It also said it was active in preventing the sale of tickets to under-16-year-olds.

Only one retailer, a Liverpool shopkeeper who sold a ticket to a 12-year-old boy, had been forced to give up his ticket terminal. But Camelot said that a further 200 shops were being

subjected to under-cover surveillance following allegations of illegal sales.

Any suggestion that prizes should be capped by the committee, chaired by Gerald Kaufman, to prevent huge jackpots

which have included more than £40m in a double-rollover week

— was resisted by Camelot on the basis that the public responded best to high prizes.

David Rigg, Camelot's communications director, said that because many people played in syndicates and most jackpot numbers were shared by more than one ticket, the average individual jackpot win was £500,000.

The performance of the company was also largely defended by Peter Davis, director-general of Ofot, the lottery watchdog, who gave evidence to the committee yesterday. Mr

Davis recently resisted calls for his resignation following his admission that he had accepted a series of free flights from Camelot's US partner.

Joe Ashton, Labour MP for Basildon, suggested that because Mr Davis had picked Camelot as the lottery operator, he was an "ingenuous" choice to act as watchdog. "It's a bit like the referee picking his own team," he said.

Tories accused over jail costs

HEATHER MILLS

Home Affairs Correspondent

Ministers were accused yesterday of misleading Parliament and the public by falsely claiming that private jails are cheaper than those run by the state.

Anne Widdecombe, minister at the Home Office, told a Prison Service conference last month that private prisons were between 15 and 20 per cent cheaper than their state counterparts. She was explaining the loss of 5,000 jobs in the state sector at a time when inmate numbers were at record levels.

In January, William Waldegrave, Chief Secretary to the Treasury, told the Commons: "Private sector prisons have demonstrated greater efficiency than those retained and run directly in the traditional way."

But internal finance documents — obtained by Labour — showed that for the six months ending in September last year, some state prisons cost less per

inmate than those in the private sector.

Comparing five similar prisons — two private and three state-run — Labour said the average cost to the taxpayer per inmate in a private jail was £18,740, compared with an average £18,590 in state jails.

The prison at Doncaster, run by the Florida-based companies Serco and Wackenhut, cost £19,694 and was the most expensive.

George Howarth, Labour's spokesman on prisons, said: "Home Office ministers have consistently argued that cuts in the prison budget can be met by the process of privatisation. The statistics we have revealed clearly show that claims made by the Government are without justification."

"The information that we revealed today has been available to the government since September. Home Office ministers must have known about them."

'Wasteful' NHS offices to be investigated

CHRIS BLACKHURST

Westminster Correspondent

A brand-new National Health Service building is to be investigated by the National Audit Office, the public finance watchdog, amid allegations that millions of pounds of taxpayers' money have been wasted.

Robert Sheldon, Labour MP for Ashton-under-Lyne, chairman of the Commons Public Ac-

counts Committee, has written to the NAO asking it to look into the NHS executive's decision to spend £4.1m on moving its Northern and Yorkshire regional headquarters from Harrogate and Newcastle to Durham.

The NHS has spent £3.4m refurbishing Harrogate and £1.7m in Newcastle. Yet Harrogate was sold for just £2.8m. The new Durham building is costing £1,182 per square metre.

They are divided over the

Treasure Bill, designed to reform medieval law covering the discovery of lost gold and silver — which will receive its second reading next week — and a code calling for detectorists to report any antiquities which might have historical interest.

David Graham, honorary secretary of Surrey Archaeological Society, and an adviser

on the Bill, has been among those pushing for change, alongside historians and institutions including the British Museum.

Their concern was heightened a decade ago, when a Roman temple at Wanborough, near Guildford, in Surrey, was plundered by unscrupulous metal detectorists, known as

"nighthawks". An estimated £1.5m worth of Iron Age and Roman coins disappeared.

There are at present 30,000 metal detectorists in Britain, who are estimated to find around 400,000 items a year, although only a minority of these are either precious or of significant historical interest.

The Bill extends the definition of treasure to cover anything that has a 5 per cent precious metal content, compared to the existing 50 per cent.

Other objects which do not contain precious metal are also covered, if found as part of a hoard, and no object needs to have been buried with the intention of being recovered, to be protected by the law.

As Mr Major's Commons majority fell, and backbench

Tory MPs became more rebellious, Mr Ryder's job became harder. He was blamed for the failure of the Government to win the crucial Commons vote over VAT on fuel.

Conservative Central Office said Mr Ryder is their 52nd MP to stand down at the election.

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NAT WEST	£3,000	15.9%	£103.77	£3,735.72
	£6,000	14.9%	£204.98	£7,379.28
ABBEY NATIONAL	£3,000	15.5%	£103.26	£3,717.36
	£6,000	14.5%	£203.95	£7,342.20

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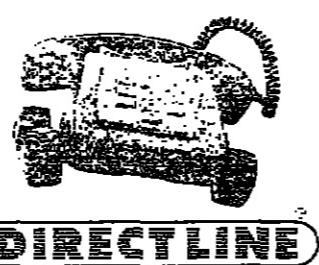
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Treasure trove: 'Nighthawkers' found a collection of ancient gold coins buried beneath the land of this Home Counties farmer, who did not want to be identified. 'They were part of the heritage of my farm, and I'd rather they were still buried underground,' he said. Photograph: John Voos

Law may soon be watching the detectorists

REBECCA FOWLER

Britain's treasure hunters are at war. Proposed new legislation for what happens to unearthed hoards, including ancient coins and non-precious metals, has fuelled animosity between archaeologists, landowners and metal detectorists.

They are divided over the

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news
Kiss is enough to Seal Grammy

JOJO MOYES

The British singer Seal won the coveted song of the year award at yesterday's American Grammy awards, with a song he had briefly consigned to the dustbin.

Seal's "Kiss from a Rose" from the album *Seal* won record and song of the year, and he also received a Grammy for best male pop vocal performance.

"Kiss From a Rose" was the one that really stood out, not as a great song but as a sore thumb," Seal said, at the US music industry's top awards in Los Angeles. "I saw it as so different that it couldn't fit in with the concept of the album. For a while we actually dropped it."

His producer rescued it. Seal said, adding that the song had been written so many years earlier that he no longer remembered what it was about.

His fellow British artist Annie Lennox received a Grammy for best female pop vocal performance. She said she was honoured to win in a year of so many strong performances by women artists.

This year's awards boldly eschewed the mainstream, as was demonstrated by the four awards picked up by the alternative Canadian rock singer Alanis Morissette — and by the failure of the six-times nominated Mariah Carey to pick up a single prize for her sugary pop.

Morissette, 21, who shot to international stardom last year with her raw anthem of love and loss, won the awards for album of the year, best rock album, best rock song and best female rock vocal performance.

"I accept this on behalf of anyone who's ever written a song from a very pure place, a very spiritual place," Morissette said, after receiving the album of the year award.

The Grammys' 8,000 music industry voters also awarded Frank Sinatra his first competitive Grammy in 29 years. His *Duets II* was named best traditional pop vocal performance.



Getting it on: The British singer Seal performing a tribute to Marvin Gaye at the Grammys in Los Angeles, where his 'Kiss From A Rose' won best song. Photograph: AP

Universities 'may not survive' funding cuts

FRAN ABRAMS
Education Correspondent

Universities were facing up to the biggest funding cuts in a decade last night amid warnings that some of them might not survive until the Government's newly announced review of higher education is complete.

Among the hardest hit were some of England's biggest and most prestigious institutions, including Oxford, Cambridge and Imperial College, London.

Last night the head of the Government's university funding agency admitted that the system could suffer serious damage if more money was not found in the next few years.

England's 170 universities and higher education colleges suffered real-term cuts of 5 per cent overall, but budgets for buildings and equipment were reduced by 29 per cent.

Professor Gareth Roberts, vice-chancellor of Sheffield University and chairman of the Committee of Vice-Chancellors and Principals, warned that some universities could close. Four English institutions are known to be in trouble,

THE BIGGEST LOSERS		
The 10 worst hit in percentage terms		
Cambridge	£4,046,727	(-4.5%)
Oxford	£3,138,623	(-3.5%)
Liverpool	£2,001,923	(-3.4%)
Imperial College, London	£1,983,506	(-3.7%)
QM&W College, London	£1,758,587	(-4.4%)
King's College, London	£1,692,863	(-3.8%)
UMIST	£1,213,222	(-4.6%)
Aston	£717,717	(-4.3%)
Cranfield	£698,683	(-4.5%)
Salford	£684,869	(-3.1%)

though they have not been named.

He said the Government's inquiry into higher education, led by Sir Roy Dearing and due to report in the summer of 1997, could come too late for some of them. "There is a limit to how much more can be achieved and still retain the capacity to impart the skills and knowledge that employers require from students," the professor said. "If further cuts are made, some universities may not survive until the results of the Dearing inquiry can be implemented in 1999 or beyond."

then that interaction is affected," he said. However, Professor Roberts added that he had great confidence in university managers and was sure that they could survive the next year. Some leading research institutions had lost out because of technical changes in the way different subject areas were funded, he said.

Officials denied that science funding was being cut in order to put more money into art and design, but among the very few institutions to see a rise in budgets this year were the Royal College of Art and Wimbledon School of Art.

In 1994, ministers announced that they would spend £36m on university buildings in 1996-97 but the actual figure has dropped to £245m.

A spokeswoman for Cambridge University said the university would lose £6m in the next financial year.

"We are going to look at the figures very carefully and not make any hasty reactions or ring any alarm bells," she said. "We want to take our time and look at the figures very carefully over the next few weeks."

Female staff miss utility pay-outs

BARRIE CLEMENT
Labour Editor

Thousands of women have missed out on lump sums of up to £44,000 each after failing to claim compensation for forced early retirement.

The public service union Unison yesterday announced it had won a total £1.4m pay-out for 55 women who were made to retire at 60 by the former nationalised electricity boards.

Despite an advertising campaign, however, many more are known to have slipped through the net and are no longer able

to claim compensation because their cases are "out of time".

The women were employed by 13 electricity companies throughout the United Kingdom and were forced to retire five years earlier than male colleagues doing similar jobs.

The court ruled that the privatised gas company was "an emanation of the state" because it carried out public duties and therefore came under strict European equality laws.

Unions are still taking advantage of the ruling and attempting to ensure that privatised businesses are brought under Brussels directives.

After favourable tribunal rulings, the Electricity Association

offered to settle the 55 cases out of court.

Meanwhile Mike Jeram, head of the new energy section of Unison, calculated that nearly 100,000 jobs had been lost in the gas and electricity industries since privatisation.

Mr Jeram said 60,000 had

gone in the electricity industry since 1990 and 43,000 in British Gas — just over one in two of the workforce. He acknowledged deterioration in service of British Gas and concerns over the power grid's ability to meet demands were a direct result of mass redundancies.

X-rays reveal neutron star

CHARLES ARTHUR
Science Correspondent

Scientists at the US space agency Nasa have discovered an enormously dense star which, despite being only about 10 miles across, is beaming out a million times as much energy as our sun.

The object lies towards the centre of our galaxy, and is believed to be made of neutrons — the densest possible matter, which consists only of neutrons, the neutral particles usually found at the core of atoms such as helium. Because neutrons do not repel each other, they can be packed incredibly densely — in this case forming a "neutron star".

The scientists detected the star because it is radiating its energy as X-rays, shooting out about 20 bursts each day. Though such X-ray sources were first discovered 20 years ago, this is the most powerful one ever observed.

Fred Lamb, an astrophysicist at the University of Illinois, reckons the X-rays are caused by interstellar matter falling towards the star's surface, where gravity is roughly a hundred billion times greater than Earth's.

First, matter is accelerated to half the speed of light because of the neutron star's enormous gravitational force," Professor Lamb explained. "Then, it crashes into the surface and is heated to nearly 1 billion degrees. Because it is so hot, the star radiates its energy almost entirely as X-rays rather than as visible light." X-rays are electromagnetic radiation like light, but have a much higher energy and shorter wavelength.

The star — known as GROJ1744-28 — lies 30,000 light years away. The international team of scientists have been studying it since December, and are now focusing an orbiting space telescope known as RXTE on it.

"With better measurements from the RXTE, we should be able to pin down the theoretical model," said Jean Swank, a scientist on the project.

It was suggested that X-ray sources were not natural phenomena — but the efforts of aliens to contact intelligent life, by manipulating stars' behaviour. This was discounted when more began to be discovered with improved radio telescopes.

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	£25,000+	4.60%	3.45%
	£10,000+	4.25%	3.19%
	£5,000+	3.70%	2.74%
	£2,000+	3.40%	2.59%
	£1,000+	3.25%	2.44%
	£500	2.35%	1.76%
(1-6 Withdrawals)			
	£100,000+	3.85%	2.89%
	£50,000+	3.75%	2.81%
	£25,000+	3.60%	2.70%
	£10,000+	3.25%	2.44%
	£5,000+	2.70%	2.03%
	£2,000+	2.45%	1.84%
	£1,000+	2.25%	1.69%
	£500	1.35%	1.01%
(More than 6 Withdrawals)			
	£100,000+	2.00%	2.18%
	£50,000+	2.00%	2.18%
	£25,000+	2.00%	2.03%
	£10,000+	2.00%	1.65%
	£5,000+	1.90%	1.43%
	£2,000+	1.65%	1.24%
	£1,000+	0.25%	0.19%
	£500	0.25%	0.19%
PREMIER PLUS CAPITAL ISSUE 1			
Three months notice required for withdrawal (Rates also apply to Guaranteed Investment Account Issue 5 and Guaranteed Investment Account Extra Issue 1).	£100,000+	5.05%	3.79%
	£50,000+	4.95%	3.71%
	£25,000+	4.70%	3.53%
	£10,000+	4.15%	3.17%
	£5,000+	3.50%	2.49%
	£2,000+	3.05%	2.29%
	£1,000+	3.00%	2.23%
PREMIER PLUS MONTHLY INCOME ISSUE 1			
Three months notice required for withdrawal, and interest paid monthly.	£100,000+	4.94%	3.70%
	£50,000+	4.84%	3.63%
	£25,000+	4.60%	3.45%
	£10,000+	4.07%	3.05%
	£5,000+	3.25%	2.44%
	£2,000+	3.01%	2.26%
	£1,000+	2.96%	2.22%
PREMIER OPTION BOND			
Variable Rate Option paying interest six monthly. Issues A, B, C, D, E and F.	£100,000+	5.90%	4.43%
	£50,000+	5.65%	4.24%
	£25,000+	5.35%	4.01%
	£10,000+	5.10%	3.83%
PREMIER OPTION BOND			
Variable Rate Option paying interest monthly. Issues A, B, C, D, E and F.	£100,000+	5.75%	4.31%
	£50,000+	5.51%	4.13%
	£25,000+	5.22%	3.92%
	£10,000+	4.98%	3.74%
PREMIER OPTION BOND			
Fixed Rate Option paying interest six monthly (Issue E)	£100,000+	6.10%	4.58%
	£50,000+	6.05%	4.54%
	£25,000+	6.00%	4.50%
	£10,000+	5.90%	4.43%
PREMIER OPTION BOND			
Fixed Rate Option paying interest monthly (Issue E)	£100,000+	5.94%	4.45%
	£50,000+	5.89%	4.42%
	£25,000+	5.84%	4.38%
	£10,000+	5.75%	4.31%

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international

EU-Asia summit: Major treads a delicate path in Hong Kong as East-West relations undergo realignment within world markets

Tension lifts over HK handover

DONALD MACINTYRE

Bangkok

John Major yesterday went out of his way to defuse tension with China over Hong Kong after meeting the Chinese Premier Li Peng on the eve of the Prime Minister's highly sensitive visit to the colony this weekend.

Mr Major went into his 45-minute meeting with the Chinese Premier only hours after Peking's top official in the colony had warned the British Government against "stirring up trouble". Zhou Nan, head of the New China News Agency and Peking's *de facto* ambassador there, said: "We sincerely hope the British can carry out their obligations and fully co-operate... and stir up no further trouble for Hong Kong's smooth transition."

But Mr Major made it clear after the meeting with Li Peng that he detected a marked improvement in relations between Britain and China over the past few months.

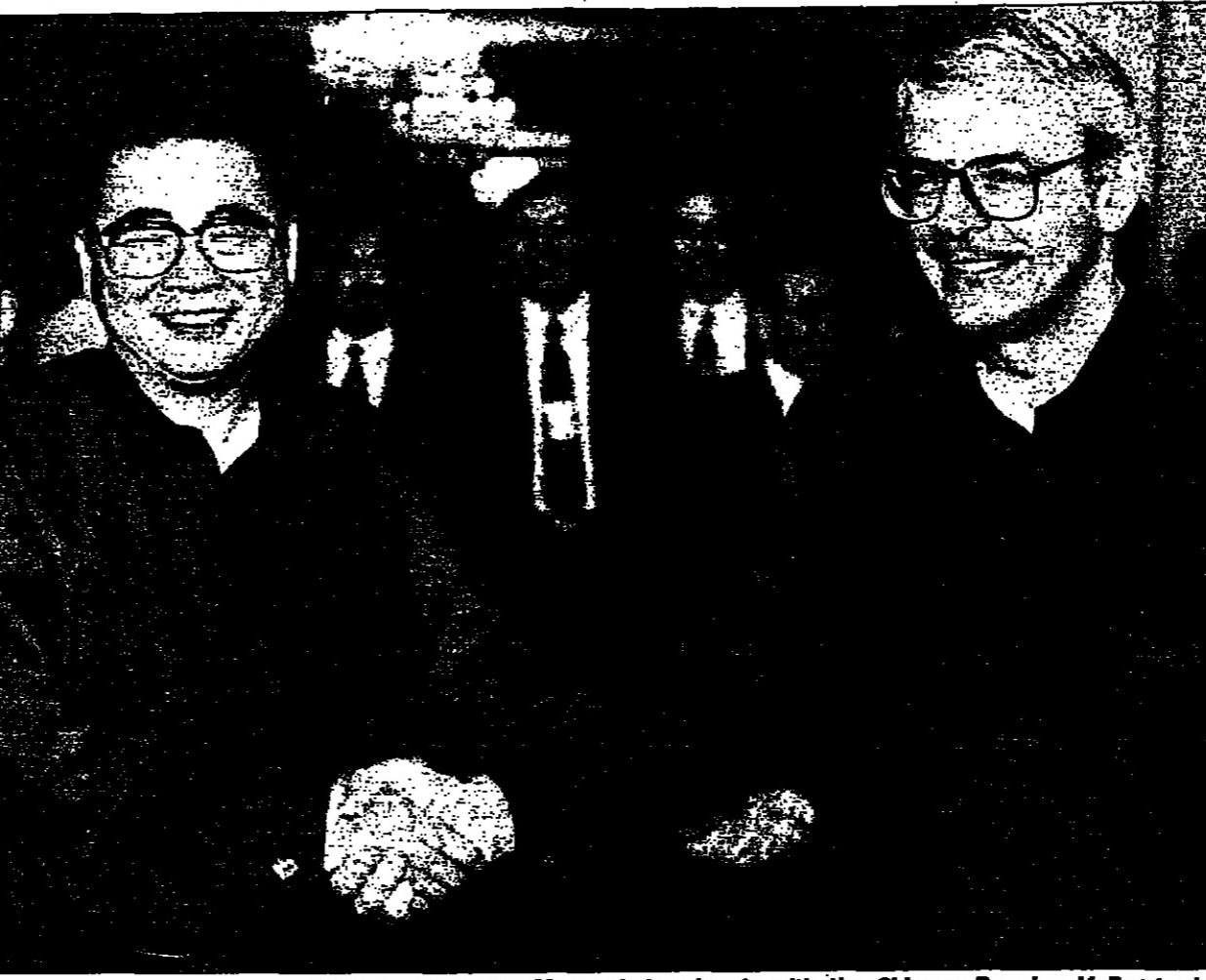
Mr Major did not disguise that there is still no convergence between the two governments over the key issues for Hong Kong: democracy or a Bill of Rights and the future of the now democratically elected legislative committee for Hong Kong (Legco). Mr Major said he had told the Premier "that Hong Kong's success has been founded not only on economic success but on the rule of law and that continuity and stability are a very important part of a successful transfer in 1997."

Yesterday's statement at a New Year's celebration in Hong Kong reflects the continuing irritation of Chinese officials at the Governor Chris Patten's decision three years ago to introduce democratic reforms without Peking's agreement – and the Government's stated view that an elected Legco should continue. But after his talks in Bangkok, where he is attending the Asia/EU economic summit which opens later today, the Prime Minister said

that Li Peng had shown strong signs that he recognised the need to build confidence in Hong Kong in advance of the handover. Mr Major and other British officials were encouraged by confirmation from Li Peng that China would not send its own officials to govern Hong Kong after 1997.

Mr Major raised what he himself called the "sensitive" choice of chief executive to run the colony after the handover. He said that while Li Peng had not given any indication of when the choice would be made, he had shared his aspiration that the post would be held by someone "acceptable to the people of the colony".

John Major will have to tread the delicate path on what will probably be the last visit of a British prime minister to the colony before the handover, of calming intense anxiety among many of the colony's inhabitants while not worsening relations – including trade relations – with Peking.



Silky smooth: John Major shakes hands with the Chinese Premier, Li Peng, at a cocktail party in Bangkok, prior to the Asia-Europe Summit, which starts today. All the leaders wore Thai silk shirts for the occasion

Photograph: Dylan Martinez/Reuters

IN BRIEF

Portugal offers Indonesia ties

Portugal offered Indonesia a partial reopening of diplomatic ties in exchange for the release of the East Timorese resistance leader, Xanana Gusmao, Prime Minister Antonio Guterres said yesterday.

"Portugal would be ready to open an interest section in a friendly embassy in Jakarta and to accept an interest section in a friendly embassy in Lisbon," he told reporters after an unexpected private meeting with Indonesia's President Suharto.

Portugal and Indonesia have been at loggerheads over East Timor since Indonesia invaded the former Portuguese colony in 1975. There have been persistent reports of human rights abuses on the territory. Reuter

Kohl's big sleep

Thailand's top hotel is arranging a giant-sized bed for the bulky German Chancellor Helmut Kohl, as usual at world summits. A last-minute call from protocol officers to the swanky Oriental Hotel ensured Kohl had plenty of room to stretch out after his summit exertions.

"We have had to extend his bed in length and width after getting confirmation he is exceptionally tall and big," a member of the hotel staff was quoted as saying by a security source. Reuter

Nationwide announces new higher rates for savers.

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£15,000 - £24,999	3.20%	£10,000 - £19,999	5.40%
£110,000 - £124,999	3.30%	£25,000 - £49,999	6.10%
£25,000 - £49,999	4.20%	£50,000 - £99,999	6.40%
£125,000 - £149,999	4.50%	£100,000+	6.70%
£50,000+	5.40%		5.03%
CapitalBuilder		InvestDirect	
Gross p.a.	Net p.a.	Gross p.a.	Net p.a.
£1,000 - £4,999	3.90%	£2,000 - £9,999	5.00%
£5,000 - £9,999	4.20%	£10,000 - £23,999	5.40%
£11,000 - £24,999	4.50%	£25,000 - £49,999	5.70%
£25,000 - £49,999	4.80%	£50,000 - £99,999	5.90%
£50,000+	5.10%	£100,000+	6.20%
Monthly Income		Bonus 60*	
Gross p.a.	Net p.a.	Gross p.a.	Net p.a.
£1,000 - £4,999	3.40%	£1,000 - £4,999	3.75%
£5,000 - £9,999	3.80%	£5,000 - £9,999	4.05%
£10,000 - £24,999	4.10%	£10,000 - £23,999	4.35%
£25,000 - £49,999	4.50%	£25,000 - £49,999	4.80%
£50,000+	4.90%	£50,000 - £99,999	5.10%
TESSA		Annual	
Gross p.a.	Net p.a.	Gross p.a.	Net p.a.
£25 - £2,999	6.20%	£1,000 - £4,999	3.75%
£3,000 - £4,999	6.35%	£5,000 - £9,999	4.05%
£4,000 - £6,599	6.50%	£10,000 - £23,999	4.35%
£6,600 - £8,399	6.65%	£25,000 - £49,999	4.60%
£8,400 - £9,000	6.85%	£50,000 - £99,999	4.85%
TESSA 2		Monthly	
Gross p.a.	Net p.a.	Gross p.a.	Net p.a.
£25 - £9,000	6.85%	£1,000 - £4,999	3.75%
Bonus Saver		Monthly	
Gross p.a.	Net p.a.	Gross p.a.	Net p.a.
£30+	6.20%	£1,000 - £4,999	3.65%
The Smart Account		Bonus 60*	
Gross p.a.	Net p.a.	Gross p.a.	Net p.a.
£1 - £9,999	3.50%	£1,000 - £4,999	3.65%
£1 - £9,999	3.50%	£5,000 - £9,999	3.65%

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NEW RATES FOR ACCOUNTS NO LONGER AVAILABLE

Account Name	Balance	Gross p.a.	Net p.a.	Account Name	Balance	Gross p.a.	Net p.a.
*TESSA Bond & Linked Bond Monthly	£3,000 - £9,000	6.75%	5.06%	BonusBuilder	£1 - £499	0.60%	0.45%
	£3,000 - £9,000	6.25%	4.69%		£5,000 - £19,999	3.10%	2.33%
TESSA Flexible Savings	£25 - £2,999	6.10%	4.58%		£10,000 - £24,999	3.90%	2.93%
	£2,000 - £2,999	6.25%	4.69%		£25,000+	4.20%	3.15%
	£4,800 - £6,599	6.40%	4.80%	IncomeBond	£2,000 - £9,999	3.80%	2.85%
	£6,600 - £8,399	6.55%	4.91%		£10,000 - £49,999	5.30%	4.13%
	£8,400 - £9,000	6.75%	5.06%		£100,000+	5.30%	4.35%
CapitalBonus 180	£500 - £4,999	4.10%	3.08%	TaxFree Option Instant	£1 - £499	0.60%	0.45%
	£5,000 - £9,999	4.40%	3.30%		£5,000 - £9,999	3.10%	2.33%
	£10,000 - £24,999	5.30%	3.98%		£10,000 - £23,999	3.40%	2.55%
	£25,000+	5.55%	4.16%		£25,000+	4.20%	3.15%
CapitalBonus 90	£500 - £4,999	3.90%	2.93%	TaxFree Option 90 Day	£500 - £4,999	3.90%	2.93%
	£5,000 - £9,999	4.20%	3.15%		£5,000 - £9,999	4.20%	3.15%
	£10,000 - £24,999	4.50%	3.38%		£10,000 - £24,999	4.50%	3.38%
	£25,000+	4.80%	3.60%		£25,000+	4.80%	3.60%
CapitalBonus 90 Monthly/Half Yearly	£500 - £4,999	3.40%	2.55%	Double Bonus	£500+	3.10%	2.33%
	£5,000 - £9,999	3.80%	2.85%		£2,000 - £9,999	3.90%	2.93%
	£10,000 - £24,999	4.10%	3.08%		£10,000 - £19,999	4.50%	3.38%
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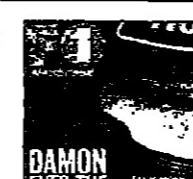
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Lack of a male heir threatens oldest monarchy

RICHARD LLOYD PARRY
Tokyo

Japan's Imperial Family is facing a crisis. Two thousand seven hundred years after its foundation by the mythical Emperor Jimmu, the world's oldest hereditary monarchy is running out of male heirs.

The government has become so worried that it has dispatched envoys to several European countries, including Britain, to study a revolutionary possibility: that the law may be changed to allow a woman to ascend the Chrysanthemum Throne.

Compared with their British counterparts, Japan's royals are models of decorum, thrift and restraint. Cloistered behind the moat and thick walls of the Imperial Palace in Tokyo, they emerge publicly only a few times a year to attend national athletic meetings, plant trees, and wave at them subjects from behind bullet-proof glass.

Japan's compliant media have no truck with tabloid-style muck-raking, but the less reverent of the country's many weekly magazines have been becoming increasingly preoccupied with the absence of imperial offspring.

Rumours about a future empress appeared to have been decisively quashed earlier this year by the newly-appointed Grand Steward of the Imperial Household Agency, Sadamu Kamakura. "We are not thinking about the question of an empress," he said. "Our current system clearly specifies male succession to the throne, and it is working adequately."

But privately the agency, an obsessively cautious government organisation which controls every aspect of the Imperial Family, has been dis-

creetly studying the possibility for several years. The problem has become increasingly worrisome with the continued failure of Emperor Akihito's children to produce sons.

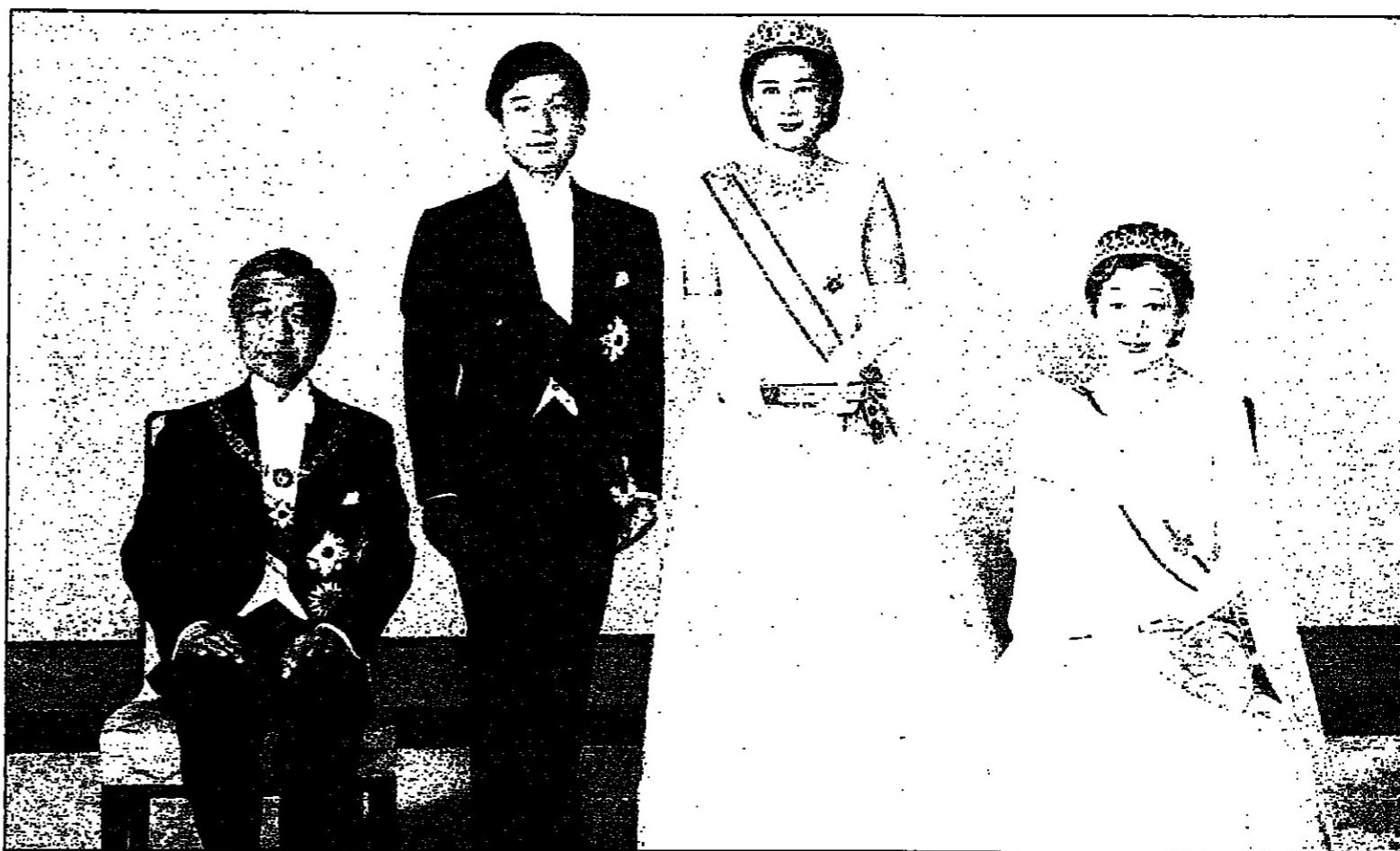
Since their wedding in June 1993, Crown Prince Naruhito and Princess Masako have had no children. Next in line is the Emperor's younger son, 30-year-old Prince Akishino, and both his children are girls. After him the succession would fall to a line of obscure and ageing uncles and cousins.

Since Prince Akishino, no male child has been born to any member of the Imperial Family.

Court officials have gathered written materials from Buckingham Palace and, in nine days' time, a senior official of the Imperial Household Agency will fly to Europe on a hastily arranged visit to the Netherlands, Belgium and Denmark. In Copenhagen, they will be briefed by court officials on the constitutional referendum in 1953 which allowed Queen Margrethe II to succeed after 600 years of Danish kings.

Any change would be complicated and controversial, requiring a parliamentary amendment to the Imperial Household Law and Constitution, which strictly regulate the duties, conduct and spending of the Emperor's family.

To a large extent, their low profile is a matter of cautious necessity. After the Second World War, Emperor Akihito's father, the late Hirohito, narrowly escaped being tried as a war criminal and the role of the Imperial institution arouses strong emotions in both nationalists and left-wingers. "Whether we recognise a female heir in the future de-



Duty calls: Crown Prince Naruhito and Princess Masako, so far childless, with the Emperor and Empress

Photograph: AP

Indonesian hostages met by Red Cross

JAN ROBERTS

Twelve hostages, including 4 British citizens, held for 51 days in the mountainous jungles of Irian Jaya in Indonesia had their first meeting with outsiders yesterday.

They met with a team of three from the International Red Cross, and a doctor gave all four hostages a medical check. Only one required medicine, but was not seriously ill.

According to a spokesman of the Red Cross, the International Committee of the Red Cross will be speaking to parents of all the hostages today. The Red Cross team was given letters for the parents and some photographs of the hostages. The four British hostages are Annette van der Kolk, Ann McIvor, Daniel Stark and William Oates.

"In general they are in good condition, although some of them have lost weight because of the grueling time in captivity," said Jorg Stocklin, an ICRC spokesman in Geneva. None was in critical condition, including pregnant Dutchwoman Martha Klein, 32, he said. She had been reported to have been suffering from malaria and malnutrition.

"We cannot divulge the details of the health condition of the hostages because we will inform their families individually," Mr Stocklin said. He described the meeting with the hostages as an emotional one, "since it was the first time they met anybody from outside".

He said they were taken blankets, food and medicine provided by the Indonesian government and the embassies of Britain and the Netherlands.

The Red Cross went to Irian Jaya, following requests by the rebels and approval by the Indonesian armed forces, to mediate in the hostages' release.

Insurgents of the Free Papua Movement have been fighting for the independence of Irian Jaya, a former Dutch colony added to Indonesia in 1963.

It is understood that the OPM, the freedom movement for West Papua, is insisting it will only consider the release of the hostages to an international agency because it disputes Indonesian jurisdiction.

Irian Jaya is home to 250 tribes making up some one million inhabitants. They live in jungle long-houses, in tree-top buildings and in homes built on stilts along the coast.

The Red Cross team had

been in the mountain town of Wamena for two weeks while they carefully negotiated with the army for free access to the hostages. They were afraid military operations might have been launched at the same time in the area.

When the Catholic bishop, Monsignor H F Munninghoff went to meet the leader of the kidnappers, Kelly Kwallik, the army followed a day later with an undercover team. This time, the army has promised not to take advantage of the visit.

The hostages are reported to be weak due to constant movement from one village to another.

Latest reports say that they are living in a mountain cave - not far from the massive KITZ Freeport gold mine where Rio Tinto Zinc is now investing \$1.7m in further expansion.

The operation of this mine is a key issue with the kidnappers. In 1977, Kwallik led an attack on the mine, blowing up a pipeline taking the ore to the coast. In a counter-offensive by the Indonesian army, several thousands of tribespeople were reportedly killed.

The mine is the biggest British investment in South-East Asia. It is the world's biggest gold mine and the third-biggest copper mine. As part of its contract with the government, it provides living and transport facilities for the Indonesian Army.

According to Tim Wirth, the US Under-Secretary of State for Global Affairs: "The Indonesian government have not done much to establish a government there and Freeport therefore has become in many ways both company and government."

The hostages were seized on 8 January at a meeting in Mapinduna, a village in the mountains, to discuss the creation of a major national park. Some tribespeople at the meeting saw the national park as a way of securing income but others saw it as an alienation of their tribal lands.

Daniel Kogawa, a leader of the OPM, strongly objected. That afternoon, the 26 hostages were taken. Since then, 14 hostages have been released.

The British hostages were on a scientific expedition to the area paid for by BP and were all from Cambridge University.

The British and Dutch military attachés are in Wamena and will be briefed by the Red Cross today on the meeting with the rebels.

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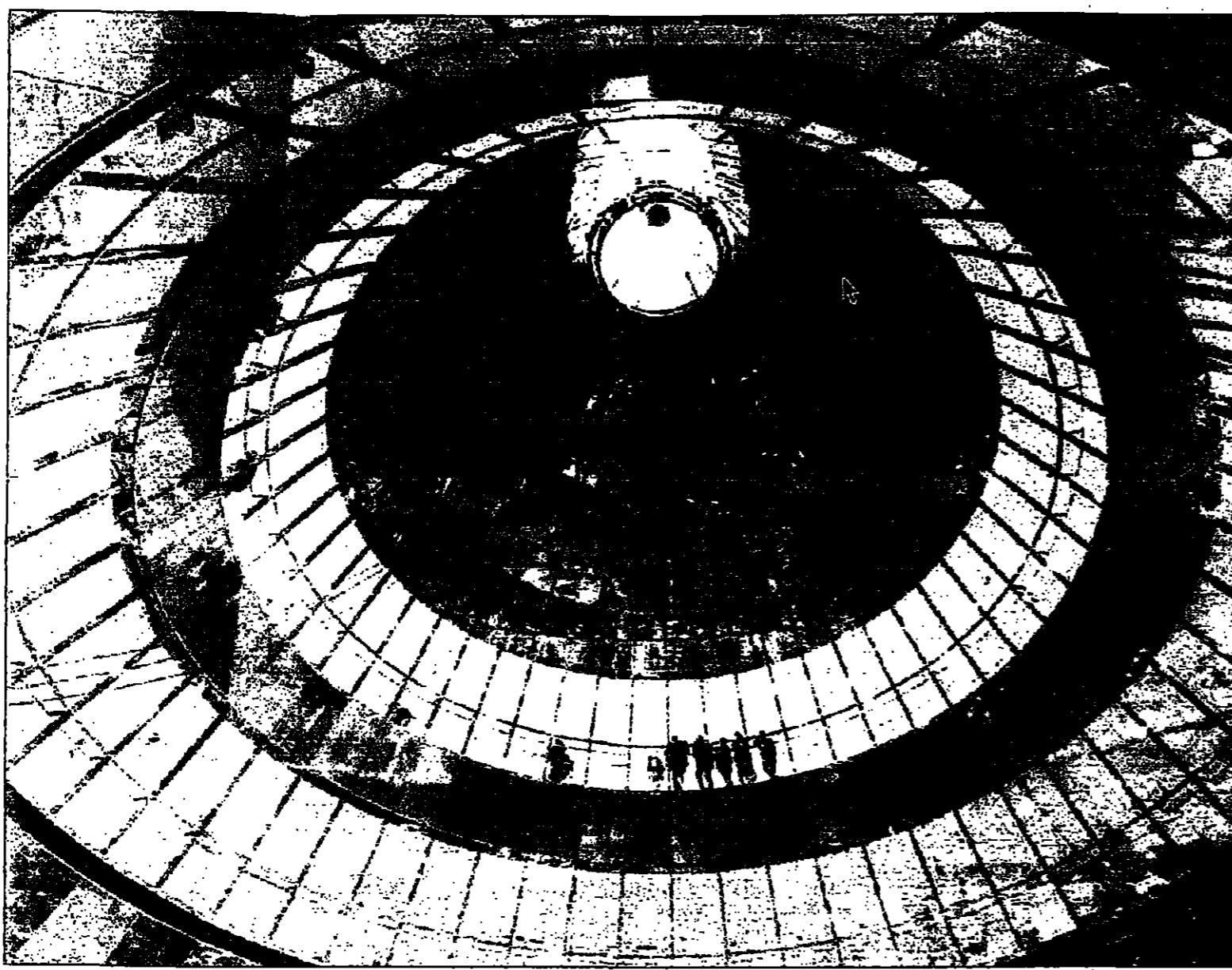
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Height of fashion: Shoppers savour the view inside the newly opened branch of the French department store Galeries Lafayette in Friedrichstrasse, Berlin. The futuristic complex was designed by the French architect Jean Nouvel

Forged letters jolt Keating on election eve

ROBERT MILLIKEN
Sydney

As the time approaches for Australians to go to the polls, a scandal involving forged letters has sent shockwaves through the ruling Labor Party and dealt a blow to its re-election prospects.

A campaign which had already shown signs of exhaustion before tomorrow's poll, was sensationalised yesterday when federal police were called in to investigate the source of two letters with which Labor had tried to deal a final knock-out blow to the opposition Liberal-National coalition, but which were quickly shown to be fakes.

Late on Wednesday, Ralph Willis, the Treasurer (finance minister) in Paul Keating's government called a press conference where he triumphantly brandished copies of two letters which he said had arrived at his office in a brown paper envelope. Both purported to have been sent to Howard, the opposition leader, one from Peter Costello, Mr Howard's deputy, the other from Jeff

Kennett, the Liberal state premier of Victoria. Stamped "Protected", the purported letter referred to a plan by Mr Howard if he won the election to slash federal government financial grants to Australia's six states to help to pay for his campaign promises. "This would involve a reduction of around \$500m [£250m] in Commonwealth [federal] funding for Victoria," said.

Mr Howard and Mr Kennett denounced the letters as forgeries. Mr Willis, one of Labor's most respected ministers, normally renowned for his caution, was forced into making a humiliating retraction and apology. It transpired that he had not cleared his decision to use the letters with Mr Keating, who was campaigning in north Queensland at the time and who privately fumed when he learned of the hoax.

The "letters affair" has the hallmark of an American-style dirty tricks campaign of the sort which has rarely intruded into the Australian political scene, where open verbal abuse is more usual.

The questions outstanding last night were: Who forged the letters? Who planted them on the senior Labor government minister who then released them? How much has the affair damaged the bid by Paul Keating, the Prime Minister, to win a sixth mandate for Labor tomorrow?

Mr Kennett is a tough, uncompromising leader whom Margaret Thatcher has praised for his severe public spending cuts in Victoria. Mr Howard and the federal Liberals fear that Mr Kennett's unpopularity in Victoria may rebound against them in tomorrow's election and cost

them seats in Australia's second most populous state. Yesterday, Mr Kennett dramatically exploded the letters affair when he claimed that the letters had been prepared by someone in Mr Willis's own office, and that he was prepared to give the name to the police.

When he returned to Canberra yesterday to make his final pre-election appearance at the National Press Club, Mr Keating dismissed such a claim as "tawdry" and "stretching credibility too far". He said: "Whoever has concocted these documents has done so not with the Labor Party's interests at heart." Mr Willis, he said, had committed an error of judgement but he had been a "first class Treasurer" and would be repointed should Labor win.

The letters affair has overshadowed all other issues in the run-up to the election, including the release yesterday of figures which showed a drop in Australia's current account deficit last month thanks to exports increasing.

Since most economists had predicted a rise in the deficit, the figure boosted Mr Keating at a critical moment. Although Labor has closed the opposition's lead in opinion polls to 3 points from 10 at the start of the campaign, the gap still suggests that the party's 10-seat parliamentary majority is in peril.

Mr Keating used his press club appearance to appeal for a fresh mandate for what he described as the new Australia that Labor had built over the past 13 years, based on "fair, imagination and drive". To dump Labor for the coalition, he argued, would be to return to an "insular, uncompetitive" world of the past.

Banderas moves left to star in meaty role

PEOPLE



Antonio Banderas: Voicing support for socialist party

the First Lady, says she has another fear: the President's teaching.

It wasn't his birthday, but Jacques Chirac got an intriguing gift from Carlos Menem on the eve of the Argentine leader's state visit to France: a pair of tango-dancing horses.

The Criollo thoroughbreds go with a set of silver spurs Mr Menem gave Mr Chirac in his days as mayor of Paris. "When you become President you can have a horse as well," Mr Menem reportedly told Mr Chirac during a 1992 visit.

Juan Archibaldo Lanus, the Argentine ambassador, presented the horses to Mr Chirac at the annual French farm show.

"Is it true they dance the tangos?" Mr Menem told me that. "Mr Chirac asked the vet who flew from Argentina with the animals. Yes, he was assured. The horses were said to have tangoed at an agricultural show before leaving Buenos Aires."

A former court poet of Nicolae Ceausescu, who climbed up the fence of the US embassy in Bucharest to escape an angry crowd after the dictator was deposed in 1989, is running for president of his country. "I want to change despair into hope," Adrian Paunescu, the candidate of the Socialist Labour Party, told state radio. "I'll try and put [Romania] on a third track, that of socialist democracy."

Another of Ceausescu's court poets, the ultra-nationalist Corneliu Vadim Tudor, is running on the ticket of the Greater Romania party. The poets are among six candidates who have so far announced challenges to President Ion Iliescu in autumn elections, but neither of them is believed to stand a realistic chance of winning.

In his work, Mr Paunescu portrayed Ceausescu as "the Danube of Thinking" and "the Genius of the Carpathians".

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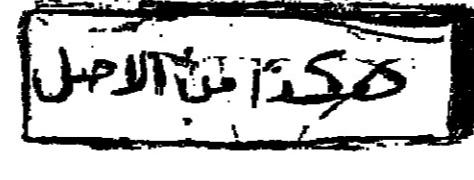
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TV chiefs agree to curb sex and violence

DAVID USBORNE
New York

After years of resistance, the American television industry pledged yesterday to develop a ratings system for the violent and sexual content of programmes that will work in conjunction with computer chips fitted to television sets.

The announcement came as some 30 of the industry's top

executives, including Rupert Murdoch and Ted Turner of CNN, arrived in Washington on a chartered bus for meetings with members of the US Congress and a "television summit" with President Bill Clinton and the First Lady, Hillary Clinton.

"Arguably you are the most powerful cultural force in the world, but we know too that freedom and opportunity can truly thrive in a free society that

is also a responsible society," Mr Clinton said.

In a joint statement, the industry's leaders said that details of the rating system would be worked out over the coming months and it would be introduced by the beginning of 1997. Programmes will be rated much in the way that the feature films are for the cinema.

The industry has been forced to act after a sweeping telecom-

munications bill was passed by the US Congress last month. The bill served notice to television executives that unless they moved swiftly to adopt a voluntary system of ratings, it would be forced on them.

The bill also included provisions obliging manufacturers to install so-called "V-chips" — violence chips — in all new television sets sold in the US. A television with the "V-chip"

will allow parents to block programmes rated for sexual or violent content. Information on how each individual programme is rated will be included in the broadcaster's signal.

"Our objective is clear and firm," the industry statement said. "This enterprise is totally voluntary. There will be no government involvement." Only a few months ago the television community had been vigorously

opposing any kind of ratings.

Agreeing on categories of ratings and their application is certain to be difficult. Broadcasters will be wary, for example, of imposing the same criteria for violent content on dramas, such as the hospital series *ER*, as for children's programmes like *Power Rangers*.

Nor is there any consensus on whether news magazines and soap operas should be affected.

News bulletins, even though many include graphic footage, would probably escape.

Civil liberty groups fear the introduction of ratings could add up to censorship and the erosion of free-expression rights under the US constitution's First Amendment. But Al Gore, the Vice-President, said yesterday that the plan raised "no First Amendment questions whatsoever".

Final straw for German spy chief

KEVIN LIFFEY
Reuter

Bonn — The head of Germany's foreign intelligence service resigned yesterday after his spies were embroiled in scandals over selling secrets for cash and a sting operation to catch plutonium smugglers.

The final straw for Konrad Pötzner was the government's refusal to remove or retire two senior intelligence officials whose subordinates were believed to be involved in an embezzlement scandal.

The head of the Federal Intelligence Service (BND) had won a reputation as a stickler for the rules who failed to keep close tabs on his staff or to keep the BND out of the firing line, particularly in the plutonium smuggling affair.

Mr Pötzner, 61, issued a terse statement saying the head of Helmut Kohl's chancellery, Friedrich Bohl, had refused his request to move or retire the two officials. "I have therefore asked that I should be placed in early retirement," he said.

As a career civil servant, this was in effect the only way he could resign. A government spokesman confirmed the request had been granted.

An informed source said BND staff were being investigated for embezzling more than 1m marks (£450,000) intended to buy the services of Russian officers leaving former East Germany. The men were also believed to have sold information on the Russian military to a British secret agent — prompting Pötzner to travel to London to express his annoyance.

Mr Pötzner, a long-time member of parliament for the opposition Social Democrats, came under fire recently for refusing to let the BND investigate the mysterious disappearance of millions of marks stashed abroad by East Germany's ruling Communist Party, and now owed to the German state. He had already been undermined by accusations that the BND virtually lured smugglers into bringing lethal plutonium into the country on a passenger flight from Moscow in August 1994 in the hope of selling it.

At peace with God and Mammon in the new South

RUPERT CORNWELL
Greenville, South Carolina

In this thriving corner of the Bible Belt, which tomorrow has its say in the US presidential primaries, there are two of Ronald Reagan's shining cities on a hill. One is very much the work of God, the other fruit of a decision taken a few years ago in southern Germany. And in the civil war raging within the Republican party, where both sides claim the Reagan legacy for themselves, they are fortresses of opposing armies.

Venture among its immaculate assembly halls, dormitory blocks and along its shaded avenues, with not a scrap of litter in sight and not a leaf out of place, and you instantly realise that Bob Jones University, the pride of Greenville, is a most unusual place of learning. In fact it is the largest fundamentalist Christian college in America, founded in 1927 by a man who believed secular education was ruining the country's youth, and now home to 5,000 students who lead a life symbolised by the inscription over the campus shop: "Edifying and equipping the saints to go forth."

In its hushed interior there is nothing more secular on sale than chocolate bars and Kodak film, alongside shelves brimming with uplifting spiritual works. A few steps away, of

THE US PRESIDENTIAL ELECTIONS '96

fering yet greater edification, is the university's remarkable museum, where soft music plays, the pile carpet is one inch thick, and the walls are studded with religious paintings by, among others, Cranach, Titian, Botticelli and Veronese. Not quite what you expect in the provinces of South Carolina, but proof that God has rich patrons.

More to the point, this is the world of Pat Buchanan. The boys have short hair and perfect manners. The girls, in the required dress of flat shoes and skirts below the knee, are frozen images from the 1950s.

Mr Buchanan's vision of America is essentially a vision of the 1950s: a nostalgic world where America was God's country, where crime scarcely existed, where women stayed at home and looked after the children, when the US accounted for 60 per cent of the world's economic output, and when foreigners knew their place — a world where everything was perfect and nothing quite real.

Outside the 10ft walls surrounding the university, the mirage persists. In an eatery across from the

Preaching to the converted: Pat Buchanan at the Evangel Cathedral where he told his audience 'I just want to make America God's country again'

entrance, a middle-aged man in a jeans jacket and a baseball cap pores over a worn volume of *The Teaching of Christ*, as he consumes a chicken salad.

The cathedral is spanking new, more like an plush concert hall than a house of God, surrounded by huge parking lots for the faithful. It bespeaks the wealth of a region which epitomises the vibrant "new South".

But for the true believers, entrepreneurial flair, imaginative state governors and the rest have little to do with it. "We're prosperous because God wills it," says a young woman as she leaves, clutching a Bible and heading towards Buchanan,

even his vow to overturn *Roe v Wade*, the 1973 Supreme Court ruling guaranteeing a woman's right to an abortion.

The cathedral is sparsely decorated, more like a modern church than a traditional cathedral. The organ pipes are hidden behind a screen, and the altar is a simple wooden cross. The pulpit is made of wood, and the pews are made of wood. The floor is made of wood. The ceiling is made of wood. The walls are made of wood. The windows are made of wood. The doors are made of wood. The roof is made of wood. The entire cathedral is made of wood.

though still not quite sure how she will vote tomorrow.

But in nearby Greer, shines the other city, which Pat Buchanan the protectionist does not visit — a creation not of the Almighty but of German capitalism. BMW's factory, the Munich car manufacturer's first in the Western hemisphere and as squeaky clean as the Bob Jones campus, is the shrine where its rival "mainstream" candidates make obeisance. On Wednesday Bob Dole, yesterday Lamar Alexander. "This is proof of how a free trade system creates jobs," insisted Mr Dole as he toured the glistening

plant. The day before Mr Dole turned up, the company announced a \$200m investment in the state by 35 to 24 per cent.

In fact, the two worlds of upstate South Carolina not only coexist, but overlap. Students at Bob Jones do venture into Satan's modern world, where their ingrained Christian virtues make them much prized by employers.

For their part, the workers at BMW do go to church, and are doubtless no less concerned than Mr Buchanan by crime, abortion and the other ills of late 20th century America.

And in that paradox surely lies the key for the Republicans in this strange election year. For what it is worth, a new poll yesterday showed Mr Dole, heavily promoted as usual by the great and good of the local party, leading Mr Buchanan in the state by 35 to 24 per cent.

Mr Alexander trails with 13 per cent, closely followed by Steve Forbes. But whatever the fluctuations of the race, one thing is certain. The man who can carry Bob Jones and BMW wins — not just South Carolina, but the nomination, and maybe the White House too.

PEOPLE

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longer, there.
Now give me
your arm . . . "

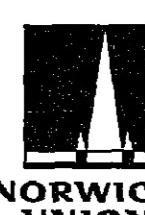
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Does the BP merger with Mobil herald a long overdue retail revolution for the dull old petrol station? Nigel Cope reports

'We'll fight them on the forecourts'

IN BRIEF
Rwanda denies
genocide massacre
Cuba protests
Prison riots spread
Qatar pica to Paris
Curfew on workers
Killer in Beirut
Migrants aid

The forecast formula has not changed much in those 20 years. Not quite a building, but an open space, these structures are among the most ubiquitous and ugly in our culture. They are all roughly the same size. Their basic organisation - a few pumps, somewhere to pay with a few sweets, car products, drinks and cigarettes

Unmanned stations have failed because three-quarters of customers like to pay cash

- is largely unaltered from the mid-Seventies. While retailing elsewhere has undergone a revolution - the arrival of US fast food chains, the rise of out-of-town shopping centres - the petrol station has been untouched.

But change may be in the wind. Yesterday's announcement that BP and Mobil are to merge their European petrol retailing businesses is probably the first stage in a long-awaited shake-up in an over-supplied and in some ways still old-fashioned industry.

The Mobil name will disappear from Britain but it is unlikely to be the last to go. Petrol retailers are under such pressure, both from the supermarket operators grabbing market share and from each other, that more mergers, takeovers and even perhaps bankruptcies are inevitable. In a few years both the number of petrol stations and the way they operate could be very different.

Having moved from the greasy, overall-wearing petrol pump attendant in the 1950s and 1960s to the self-service operation with shops in the 1980s, the market is set for the next stage in its evolution.

The number of petrol stations is already falling fast. There were 17,000 at the beginning of 1995. Forecasts suggest there could be just 10,000 by the end of 1997.

Consider how much has changed in the past 20 years. Mrs Thatcher has come and gone. Whole sections of British industry have been privatised. The First Division of the Football League has become the Premiership. Punk has come and gone and come again. The Monarchy has started to fall apart beneath the weight of its own failed relationships. And yet some things have remained remarkably the same, seemingly untouched by the march of progress - such as the traditional, drafty, oily, petrol station forecourt.

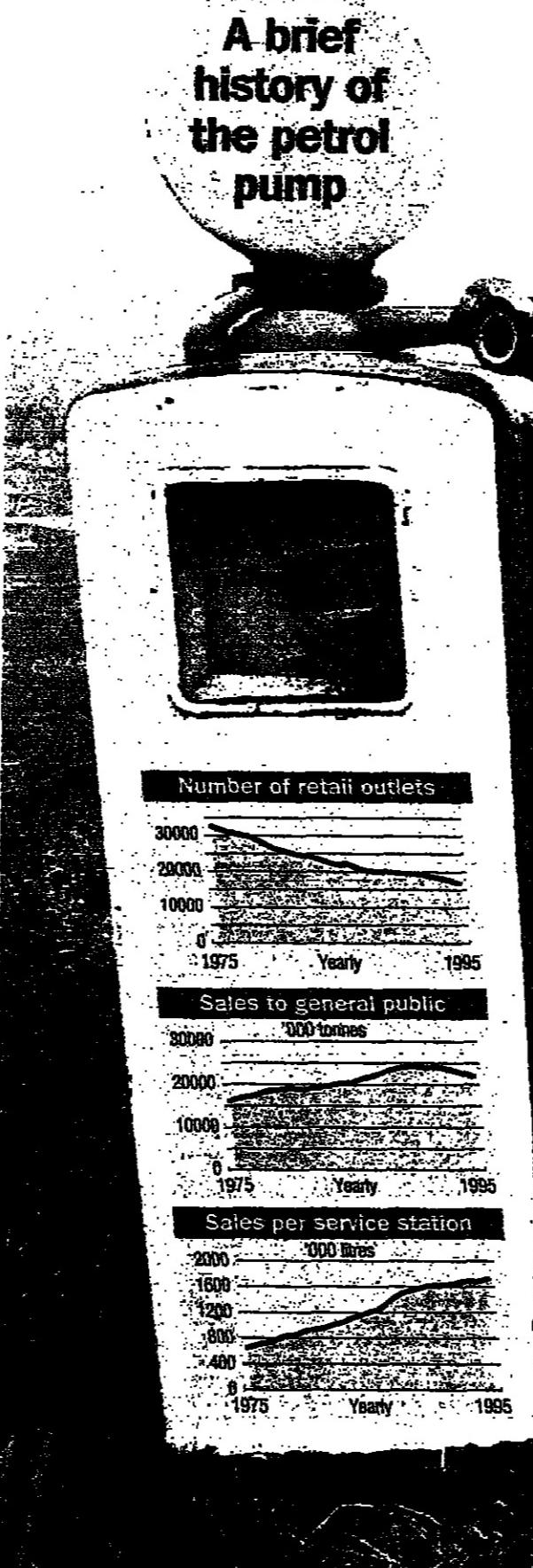
The main problem is oversupply. There are just too many brand names and too many stations chasing too few cars. The supermarkets have played a major part in the shake-out. From a standing start five years ago the big four supermarket chains now have almost 25 per cent of the UK market. Their higher sales volumes have enabled them to cut prices forcing BP, Shell and Esso to follow suit, which has narrowed their profit margins. When Esso launched its PriceWatch campaign in January, pledging to match the lowest prices within a three-mile radius, the game plan was clear - it wanted to grab share back from Sainsbury and Tesco.

But competition need not necessarily be on price alone. To date, petrol stations have done little to differentiate themselves from each other by the quality of service they provide. Petrol stations seem terribly alike: similar prices, almost identical stations and the same tired promotions offering free wine glasses in return for a handful of tokens.

The entrance of the supermarkets into the competition is forcing others to change tack. There are two main routes the petrol stations can take to respond to the competition. They can either become more streamlined, to cut costs and prices. Or they might seek to differentiate themselves by offering a distinctive service.

One obvious cost-cutting route is to introduce unmanned stations. Both Shell and Q8 are testing unmanned stations where customers pay by credit card. Unmanned petrol stations have proved hugely popular in Scandinavia. They are the norm in Italy for sales after dusk. Previous UK trials have founded on concerns for customer safety. Ron Frost, chief executive of the Frost Group, is sceptical. He says unmanned outlets have been "a monumental failure" in the past because they rely on credit card payments while three quarters of all customers still pay for their petrol by cash.

The other route is to bring back the pump attendant. It is easy to imagine what MacDonalds would do with petrol



stations. There would be staff in neatly pressed uniforms with baseball hats offering a sharp line in patter and a winning smile. Or there could be Virgin-style petrol stations, with loud music, bright colours and lots of young people serving you.

One of the reasons for the shortcomings of petrol retailing is that it is largely in the hands of oil companies who are better at finding, drilling, producing and refining the stuff than they are at selling it in an attractive and friendly way.

There are lessons to be learned from other countries.

In the US some operate a drive-thru system where a pad on the pump can take orders for a Big Mac, large fries and Coke. The driver then coasts towards the service point where they pay for their petrol and pick up their burger. Some UK companies such as Texaco

have started opening drive-thru restaurants.

However, the UK market is sceptical about these innovations. Shell says the Japanese like more service because the car is seen as more of a status symbol. Drivers in this country might not like attendants bang-

ing the pump nozzle against the car, it says.

So it seems that perhaps very little will change, despite the ferocity of the competition.

Petrol stations will continue to be drafty, oily, charmless places.

Indeed the price war will drive out some of the weakest play-

How they do it abroad

Rome

Italians love cars almost as much as their mothers. A good filling station will give you not just petrol but the automotive equivalent of a manicure. But after dark, when the only open garages are unmarked, you usually have to battle with unreliable automatic vending machines.

France

Over the past 25 years more than half of France's service stations have gone out of business, victims often of aggressive pricing policies by hypermarkets, which use low prices to attract customers. Almost half the country's petrol is now sold at such outlets, usually self-service. A big oil company recently introduced service with a smile - including cleaning windscreens - to help create jobs - but it seems unlikely to catch on.

Hong Kong

Self-service has yet to reach petrol station forecourts in Hong Kong, but it has price competition. Every petrol station in the colony charges the same prices for all petrol products. So petrol stations attempt to lure customers with gifts such as tissues, bottled mineral water and other soft drinks. Very few petrol stations offer additional services such as windscreen cleaning, but as there are always a number of attendants on hand they will check oil, water and battery fluid.

US

The Fifties were the best time, in the words of the Esso commercial, to "put a tiger in your tank". Every gas station checked your oil and water, washed your windshield and filled your tank while you sat back and rested. Today you can still get so-called full service but your petrol can cost as much as 50 per cent more than for self-service.

Japan

Driving into a Tokyo service station is like being guided in to land a jumbo jet, with a small team of willing attendants on hand to help you. While you sit in a room with a television, they will fill your tank, clean your windows and check oil and water levels as well as tire pressure before assembling to wave you off the forecourt.

Small local petrol stations - the last bastions of the personal touch - will be the main casualties. In Scotland things have already got so bad that a development agency has awarded a £50,000 grant to help a Highlands petrol station to stay open.

DIARY

Stage set for a Bottomley farce

Bad news for the MP for Surrey South West. The constituency's treasured Redgrave Theatre has just received grievous news from the funders at South East Arts - no funds are available to reopen the theatre.

This has led to much gnashing of teeth in Farnham and bad-mouthing of the South East Arts board and their ultimate masters at the Department of National Heritage - ruled, it has to be said, by the MP for Surrey South West, one Virginia Bottomley.

This is hugely embarrassing for Mrs Bottomley, who has supported the campaign to reopen the Redgrave, which

closed, after 20 years, in January last year. She had also praised Waverley Council's Herculean fundraising efforts.

"I rang Mrs Bottomley a week ago, when I got the first whiff that the SEA might be withdrawing

their assurances of support after a year of watching us sweat to raise funds at a time when our budget was cut by over £1m," says Anna Thomson, the council's leader. "Mrs Bottomley was appalled and said: 'Of course the theatre must be saved.'

"Obviously, now I will be going back to her to see what suggestions she has."

could possibly have gone wrong?

"Oh, just a minor technical fault, that's all," is the breezy official BBC response. "A little problem with the soundtrack."

Er, that's not quite the whole story, according to my source. There was indeed a soundtrack problem, but staff had given themselves just an hour to edit it. Then the equipment didn't work. Then they couldn't find anyone to mend it. With panic reaching fever pitch, frantic minnows dashed to put on a standby programme, only to discover that they couldn't find the tape. Cue muddle, music and red faces all round.

When they finally found something to stick on, it was a documentary called *Salvaging Babies*.

It seems that the self-effacement of our Prime Minister knows no bounds. At a reception given yesterday by his former employer, Standard Chartered Bank in Bangkok, he was reintroduced to his former friend and colleague Lionel Mee.

Mee was the man who carried the stretcher bearing the wounded Major on the VC10 that was to take him out of Nigeria after his car accident in 1967.

Major therefore gave a little speech about their time in West Africa. "Nigeria," he said, somewhat understating the case, "was in a volatile situation." The bank had therefore asked for volunteers to work there. Six were selected. "I have since come to the conclusion," the PM said, "that the reason for my selection was that I was, in fact, expendable."

Prince of hyperbole

The Prince of Wales has been focusing on the problems of bad communication recently. No, this is nothing to do with his divorce from the nation's leading spin doctor, but his participation in a stunt by the Plain English Campaign.

The campaigners are planning to bury a time capsule, packed with examples of the "ordinary" English of the past 25 years. The Prince offered his very own pastiche of hyperbole. It goes: "It was when I was still a juvenile future constitutional figurehead substitute that I first became sensitised by mother-tongue abuse awareness."

Make what you will of that.

Invisible revolutionaries

There was a nasty moment when I arrived at London's Reform Club on Wednesday night for the launch of *The Blair Revolution* by Peter Mandelson and Roger Liddle. I thought I had come to the wrong place. The room was packed with Lib Dems. There was scarcely a Labour bair in sight (and certainly not Tony Blair). But pieces of paper hung everywhere quoting John Major: "I have not read the book, but it sounds an extremely good buy ..."

Eagle Eye

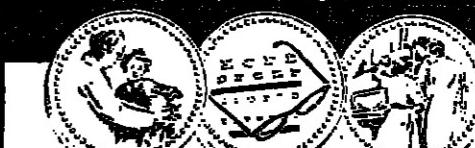
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Pop star incidents: 10 stories short

Triumph has clearly gone to *Panorama's* head. The BBC's flagship documentary series, covered in glory last week at the TV awards for the Princess of Wales interview, was by Tuesday busy wiping the egg off its face.

On Monday night 5 million viewers sat down to watch *Empress on the Rocks*. Instead, they were treated to a distinctly non-award-winning hiatus - and then shown an old repeat. What

the original winner, Kylie Minogue, had to say about the whole thing.

She was not present at the ceremony, but her manager, David Devaney,

had only mentioned that Kylie had been nominated for her role in *Empress on the Rocks*.

She had not been nominated for the award, he said.

He thought there would be a "big surprise" at the ceremony.

He was right. The original winner, Kylie Minogue, had to leave the ceremony early.

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THE INDEPENDENT

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The hypocrites of the officer class

It is alarming how long it takes for this Government to learn a lesson. Its reputation may never fully recover from its cynical handling of the Scott report. Not a single minister has resigned or even admitted responsibility for the long list of failings detailed in the report, from systematically misleading Parliament to serious professional misjudgements. But as we reveal today, it gets worse.

Add to the charges of dereliction of duty, stupidity and arrogance, rank hypocrisy. Ministers have escaped blame for changing British policy on arms sales to Iraq without telling Parliament. But of course that does not stop them looking for a few civil servants to carry the can. In yet another demonstration of the culture of arrogance among those who rule us, the officers have decided that the troops in the ranks should be punished. The top brass, who directed the arms-to-Iraq policy, will not be in the firing line. Sir Robin Butler, the Cabinet Secretary, is in the clear. The man who told the Scott inquiry that ministers had a right to withhold information from Parliament, who maintained the Government's distorted and deceitful presentation of the Scott report, will not be facing disciplinary action. His career will not be affected by revelations of how he, the chief mandarin, presided over a civil service that failed the public interest and hid what was going on in a confusion of half-truths. Sir Robin can look forward to his peerage for services rendered.

The officials whose careers may be blighted are more junior civil servants, those who perhaps drafted the misleading parliamentary answers, those who failed to tell ministers about changes in

the guidelines on arms sales, those who appeared to turn a blind eye to the type of equipment being supplied to Iraq.

Such behaviour should be reviewed. The Scott report paints a picture of an administrative machine that is a law unto itself, unchecked by Parliament and often beyond the grasp of ministers. The civil servants who make this machine work should be held to account. But, though hardly innocents, most of the junior officials who may have their behaviour inquired into were just doing their jobs. They are part of a network of unaccountable power and by no means the most important part of it. To blame and punish them in isolation would be grossly unfair.

Rather than punishment, what is needed by the civil service, not to mention the people it is meant to serve, is a Freedom of Information Act, a statutory code of conduct enshrining civil servants' duty to blow the whistle on ministers whom they believe to be misleading Parliament and an independent ombudsman in whom they can confide. None of this is on the Government's agenda. Instead, the minors have been targeted to take some of the blame that ministers were not prepared to shoulder. It all amounts to extraordinary hypocrisy. But worse than that, it shows how damaging it has been for ministers to refuse to take responsibility for their actions. As a result of the appalling example they have set, it will now be more difficult legitimately to hold to account any part of the government machine. "Blame-free government," that is the modern Tory doctrine, unless you are unfortunate enough to be a mere footsoldier of the state.



'Good morning, you have reached your GP. Welcome. For pains in the head with dizzy spells, press one. For babies with coughs, colds etc, press two...'

LETTERS TO THE EDITOR

Medical negligence: suing for compensation, or just saying sorry?

From Mr Gerald Malone

Sir: Polly Toynbee is right to highlight the risk of clinical negligence claims swallowing increasing amounts of NHS cash better spent on patient care ("Legal leeches are bleeding the NHS", 28 February). But she missed a number of recent developments.

A scheme for trusts has been set up to help manage clinical negligence liabilities. It will smooth out the impact of big claims – and build an expertise in handling complex casework. We need NHS gamekeepers to keep the smart legal poachers Ms Toynbee fears firmly at bay. Pilot studies of mediation techniques as an alternative to court action are also under way.

And a new complaints procedure, based on the Wilson committee report, comes into effect on 1 April – no longer the three-month wait for the cursory reply from a faceless official. Now, chief executives will have to handle complaints personally, within tight deadlines.

Saying sorry quickly is the right way to convince patients that their views are being taken seriously and that the NHS is prepared to learn lessons when things go wrong.

Yours etc,
GERALD MALONE
Minister for Health
Department of Health
London, WC2

From Mr Daniel Jaynes

Sir: I agree entirely with Polly Toynbee. We must try to stop the gravy train that views financial compensation as being the counterbalance to feelings of being wronged – which is exemplified at its lowest level with the Citizens' Charter mentality that sees different levels of compensation for particular service failures.

There does remain a need to provide compensation for losses of income caused by accidents and illness. Such a system should not depend on the finding of fault and so remove the need for lawyers and litigation.

In particular, there is a clear need for less litigious ways of solving disputes about medical accidents. The Society has put that view forward to Lord Woolf's review of civil justice,

Encouraging personal insurance is one solution; perhaps the public expenditure spent on lawyers' fees and tortious levels of damages could be better spent on establishing a comprehensive, no-fault compensation scheme similar to the Criminal Injuries Compensation Scheme.

Yours,
DAN JAYNES
Newcastle upon Tyne

From Mr Phillip Sycamore

Sir: There is a serious debate to be had about the growth in claims of negligence against all professionals, but it is nonsense to claim that the Law Society takes the view that there should be more, not less, litigation. We have a long record of supporting alternative methods of resolving disputes.

In particular, there is a clear need for less litigious ways of solving disputes about medical accidents. The Society has put that view forward to Lord Woolf's review of civil justice,

and has held discussions with the BMA. What is required is a system that satisfies the patient's wish for an apology and explanation (and compensation in appropriate cases) while not encouraging the doctor.

Ms Toynbee asserts that only 12 per cent of medical negligence claims succeed, but the chairman of the Legal Aid Board recently reported that 66 per cent of medical negligence claims that come to court are successful. Claims with a poor chance of success are weeded out by solicitors at an early stage without reaching the costs.

Ms Toynbee complains that solicitors have put up posters that draw attention to the right to claim for compensation. She misunderstands the purpose of these. Research shows that as many as 70 per cent of accident victims may not realise their right to claim compensation and few appreciate that most who cause accidents have insurance to cover claims. This public information

service has been encouraged by NHTS Trusts, who earn money from the placing of advertisements. Would NHTS Trusts allow these advertisements if they merely encouraged claims for medical negligence against them-selves?

Yours faithfully,
PHILLIP SYCAMORE
The Law Society
London, WC2

From Dr Barbara Devereux

Sir: Polly Toynbee draws further attention to the vast amounts of public money spent by the Legal Aid Board on financing largely unsuccessful medical/pharmaceutical litigation.

A central point is the irrecoverable cost of defending these actions, against which the expenditure by the Legal Aid Board pales into insignificance. Surely these monies would be better spent on patient care?

Yours truly,
BARBARA DEVEREUX
Swanscombe, Kent

After the snip, the side-effects

From Mr Alan K Carter

Sir: William Hartston is a cautious chess player, but perhaps not cautious enough when deciding on vasectomy (6 February 1996). I admit he did consider the matter for three years but I hardly think 10 days post-operative is the time for self-congratulation.

In our detailed study of 68 men, who had submitted to vasectomy, at a median time of nearly 10 years from surgery, we found that vasectomy (in the patients' perception), adversely affected a minority of patients such that 12 per cent of men had impairment of libido, orgasm intensity, and erectile function, while only 61 per cent said that matters were completely undisturbed (*British Journal of Family Planning* 1995).

For the moment I cannot promote this operation to my patients with unmitigated enthusiasm. I hope Mr Hartston's gamble pays off for him.

Yours faithfully,
ALAN K CARTER
Bridge Road Medical Centre
Liverpool

Scottish lessons

From Mr Andrew Thornton

Sir: I notice with interest your article "Call for exam to replace A-levels" (29 February). Apparently, the House of Commons select committee on education suggests that "students might take five subjects for one year", and this is intended to widen students' studies and be a "passport to university". This seems to me a fair description of the Scottish Higher grade examinations.

In 1985, I studied six higher, and on the basis of my results went on to study at a Scottish university. Might I suggest Sir Malcolm Thornton's committee take a trip north of the border?

Yours sincerely,
ANDREW THORNTON
Aberdeen

From Ms Nicola Mitchell

Sir: Judith Judy's article suggests the Scots have a post-16 education system remarkably similar to the sensible proposal to be made by Sir Ron Dearing. Are those who have received a Scottish education really any more well-rounded than our English friends? Yours sincerely,
NICOLA MITCHELL
London, W13

Spain's debt to Felipe Gonzalez

An era is drawing to a close in Spain. After more than 13 years of Socialist rule, voters seem likely to throw out Felipe Gonzalez, the Prime Minister, in Sunday's elections and replace him with Jose Maria Aznar and his conservative Popular Party. It is a tribute to the solidarity of Spain's post-Franco democratic institutions that this transfer of power, should it occur, will seem as normal an event as it would be in any other western European country. Democracy has taken root so firmly in Spain that the Franco era, which ended only 21 years ago, already seems a distant episode of history.

Mr Gonzalez deserves much of the credit for this. The firebrand political activist of the Sixties and early Seventies, elected leader of the then illegal Socialist Party at the age of 32, matured during his premiership into a thoughtful, pragmatic statesman. He took Spain into the European Union, maintained its membership of Nato, presided over an impressive modernisation of the economy and introduced overdue social reforms such as the legalisation of divorce. Above all, he made a vital contribution to his country's long-term political stability by demonstrating that the left could govern Spain without everything going to rack and ruin, inviting a backlash from the right. This was a great achievement in a country whose earlier history had been punctuated by violent disputes between radical forces of the left and authoritarian forces of the right.

Yet the later years of the Gonzalez era have not been so happy. A string of financial scandals involving some of Spain's

most senior bankers and businessmen has tarnished the government's image. Worse still has been the discovery that Spain's security forces waged a "dirty war" in the Eighties against separatist Basque guerrillas. It is unclear to what extent the government and Mr Gonzalez personally, were directly involved, but the affair has cast a dark shadow over Spanish politics for more than a year.

On the economic front, too, the Socialists have lost their touch. Almost 23 per cent of the Spanish workforce is unemployed. Spain has the highest unemployment rate in the European Union. Among people aged 16 to 25, the rate is a shocking 42 per cent. It is disturbing that even when the Spanish economy expands – and it enjoyed 3 per cent growth last year – it makes barely a dent in the ranks of the jobless. Given the scale of Spain's unemployment problem it's hardly surprising that more and more politicians are privately questioning the advisability of Spain's effort to join a single European currency in 1999. Other elements of the Gonzalez legacy are also under scrutiny, particularly the regulation of the economy.

Since losing their absolute majority in the election of June 1993, the Socialists have seemed fired, bent on directionless. A spell in opposition might be the best thing for them. Yet if Gonzalez is defeated on Sunday that should not blind us to the broader historical verdict that he has made perhaps the greatest contribution of any single politician is securing Spain as a modern Western democracy.

Contracts crucial to competitive gas

From Mr Peter Sanginetti

Sir: Lord Gilford (Letters, 27 February) is swift to attack British Gas over "take or pay" contracts. Ninety-eight per cent of contracts were signed before the Government decided to accelerate the development of domestic competition in December 1993. Indeed, 55 per cent of these contracts were actually signed before British Gas was privatised in 1986.

Furthermore, it was not until we had seen our market share in the commercial and industrial market eroded by 65 per cent – against an MMC target of 45 per cent – that we were allowed to compete on a fair and equal basis.

These long-term contracts are

a legacy of the monopoly era when British Gas, as the licensed monopoly supplier, was legally obliged to purchase gas to meet the most demanding weather conditions. The potential liabilities arising from these long-term purchase contracts are the result of restructuring the industry in order to create a fully competitive market. British Gas has not called for an MMC inquiry into this.

If the introduction of competition into the domestic gas industry is to be a success, the issue of the long-term monopoly contracts must be addressed by the industry as a whole. It would be iniquitous for this burden to fall solely on British Gas's shareholders.

Yours faithfully,
PETER SANGINETTI
Director of Corporate Affairs
British Gas
London, SW1

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Letters may be edited for length and clarity.

Ask not for whom the siren blares

MILES KINGTON

As regular readers will know, I am a great collector of that modern kind of folksong known as motorway ballads, and I was told this one the other day by a man I gave a lift to at Tauton Dean. He later got out at Membury Service Station on the M4, together with my mobile phone and in-car fax machine. However, he did leave this long poem behind, which deals with that perennial motorway mystery: what happens if you fill up with petrol and forget to pay for it?

Mr and Mrs Meredith
And their little boy and girl
Were driving down to the coast one day.
Oui for a bit of a whirl.
When Father said, "Oh me, oh my,
We're very low on fuel!"
And so they stopped to get some more.
Which is the normal rule.
While Father filled the petrol tank
Mums bought bags of sweets
And crisps and chocolate-coated bars.
And other tasty eats.
For she got bored on long car trips
And so she sat and ate
Which help to stave off boredom
But made her overweight...
And when the sweets were purchased
And pennies had been spent

"It's Sue at Northbound Petrol Reporting an absconder.
A guy in a red Fiesta,
Owing £30.43."

Sue switched on the engine
And said: "OK – let's went!"
(One of those jocular phrases
Which fathers like to use.
Thinking they sound quite comical.
Though no one shares their views...)
And mother took a sweetie
And the kids got belted up.
And Dad revved up the engine
And said out loud: "Hey yup!"
And he left the service area
To rejoin the motorway
Totally oblivious
That he'd forgotten to pay!
Yes, struck by amnesia
He'd offered no credit card,
Nor even reached for his cheque book.
So before he'd gone a yard
The girl at the petrol counter
(The one marked "PUMPS 1-9")
Had picked up her secret telephone
And got the police on the line.

(Whose name, I think, was Sid).
And there was a massive pile-up
Of 100 cars or more.

Who all crashed into each other,
And lay there door to door.
While further down the motorway
The Meredith family
Carried on quite blithely
To their day out by the sea.
And when they read the paper
The next day, back at base,
Father's mouth dropped open
And a happy smile came to his face.
"We were lucky yesterday, mother.
When we went down the M.
There were masses of cars in a
pile-up
~ See this picture of them!"

"What was the cause?" said Mother.
"Police chase, apparently."
Going too fast in the fast lane
And then – well, you can see."

"Well, we were lucky," said Mother.
Looking for wood to touch,
And when she said she was lucky,
She didn't know how much.
Now listen, all you drivers,
And harken well to me,
Next time you go to London
Or down the M3 to the sea.
When the police sirens are
sounding
And the lights behind are blue,
Ask not whom they are chasing
~ The siren blares for you!

Capital plans

From Mr Robert Evans, MEP

Sir: Exciting times lie ahead for London. Hollywood Hillingdon to the west, Glorious Greenwich to the east, Merrydown for the Millennium.

But can our aching capital cope? I have already raised my concerns about London's ill-equipped infrastructure with the relevant authorities ahead of this summer's Euro 96 football festival.

The proposed huge new development will bring much-needed inward investment but will local residents be consulted, will the environment get a look in and will the welcome employment opportunities be simply Mickey Mouse jobs? Let's learn some lessons from other European capitals and begin with a proper strategic authority to take London into the 21st century.

Yours,
ROBERT EVANS

MEP for London NW (Lab)
Wembley, Middlesex

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Opinions will bring

Can divorce make us all rich?

Marriage break-up boosts economic activity, but increases the gap between rich and poor

Thanks to Charles and Di's divorce the country is going to be millions richer. Or rather, that is what the economic statistics would show if it were possible to unbundle them - which is a powerful reason for us all to be profoundly concerned about the economic costs of divorce. Let's look at some numbers, first of all for the additional economic activity generated, and then for the impact on the taxpayer.

The legal costs for an agreed £15m settlement like this ought not to be more than £500,000. Technically, this is not an unusual case by British or even international standards, but I suspect the costs of the royal divorce will turn out to be somewhat above the norm, because the associated publicity will require the lawyers to do things they would not otherwise do. So there will be a lot of additional hours, and since lawyers charge by the hour this will be expensive. We may need to increase the estimate above by a factor of up to five.

All these fees, like all legal activity, appear in the country's Gross Domestic Product. From the point of view of national accounts it is irrelevant whether people spend money on lawyers, BMWs or a health club - to choose three of the big ticket items in the Charles/Di sphere. They all show in the nation's GDP, although since the BMW is imported, only the sales, advertising and servicing for that item would register. National statistics make no moral judgements about the usefulness of the activity, they just record it.

Indeed, from a purely economic point of view you could actually argue that it is better for the country that we should spend money on divorce than on buying imported cars, for one carries a balance of payments cost, whereas the other has no import content.

Exactly the same arguments apply to all the legal costs of the other 200,000-odd divorces that take place each year in the UK: they increase GDP. If they did not take place, all the associated costs would not appear and, notionally, the country would be poorer.

There is, however, an additional element to the Charles/Di divorce which does not apply to that of lesser mortals. This is the additional activity generated in the media and entertainment businesses. Every additional news programme, every book, every extra sale of a magazine, every syndicated photo, all add to our GDP. Putting a figure on all this must be guesswork



HAMISH MCRAE

because you cannot know how much attention the world would give to the couple had their marriage continued. But my own guess, for what it is worth, would be well into the hundreds of millions, maybe upwards of a billion.

If that sounds a bit absurd, consider the revenues of a blockbuster movie such as *Four Weddings and a Funeral*. According to the latest tally of Screen International, that is now coming in at \$194.2m, or £130m. Sure the film was cute and it struck a chord, but it was not that special. Lady Di has greater recognition worldwide than Hugh Grant, even now. So I cannot believe that the world-

is better we spend money on divorce than imported cars

wide revenues of the movie *A Royal Wedding and a Divorce* would not be substantially larger.

If this sounds mouth-wateringly lucrative, there is another and much sadder tally that also needs to be done. This concerns the bill footed by ordinary people for the breakdown of other people's marriages. The Charles/Di case is unusual in that, presumably, it will be funded entirely by the husband's family - it would be a bit rough if we all had to stump up. But in most cases that is precisely what happens: then that person has to subscribe.

Legal aid alone for divorce is running at £250m a year. Think about it. That is £15 for every family in the land - the entire tax on a tank of petrol - taken away from people who are married or who choose not to get married, and given to the lawyers of people who choose to get divorced.

And the total bill is much larger. The most thorough study on the cost to the taxpayer of separation and divorce I have been able to find was published back in 1990 and refers to the 1987/88 tax year. It was carried out by Compas, a consultancy group, for Relate, the charity specialising in mar-

riage guidance. Even then the total cost of divorce worked out at £1.3bn. Legal costs were actually quite a small proportion of the total, with the largest items being the social security payments (supplementary benefit, one-parent benefit, family income supplement and housing benefit) which totalled more than £1bn between them.

The other main cost was health, for when families break up, people are more likely to take time off work for illness. How would one gross up the figure for today? If the cost has risen in line with social security spending in general, it is not going to be less than £3bn, maybe nearer £5bn.

Thus very large amounts of money, equivalent to a couple of per cent of the standard rate of income tax, are being taken away from one group of people and given to another. This is not to make any moral judgement about the rights and wrongs of divorce - let's leave that to Lord Mackay and his critics - nor is it to comment on the extent to which the state should transfer money between its citizens. It is simply to say that it is happening.

Not all these payments appear in GDP. Most are simply transfers. But the legal costs and the health care costs do show up, for these represent additional activity. However counter-intuitive it might seem, if someone is ill as a result of the stress of divorce, the cost of the medical care, the insurance and so on, all appear as a rise in GDP.

Understanding this is one of the clues to understanding one of the oft-noted phenomena of our age: the figures show that the country is getting richer, for GDP per head is rising, but most people compare their lives now and 10 years ago, and do not feel any richer. Anyone who does will almost certainly be working a lot harder now than then. This puzzle is partly because we are all unreasonably optimistic, in that we have a rose-tinted view of the past that perhaps deserved. But it is partly because things such as family breakdown, or rising crime, add to GDP but do not enhance our personal living standards.

The more orderly a society is - the less it needs to devote funds to police, lawyers, social security - the greater the resources available to spend in health clubs or to buy more BMWs.

In one sense the sad story of the royals is the story of so many of their citizens, with a few noughts added on to the end.



For richer, for poorer: Prince Charles and Princess Diana's divorce will add millions of pounds to GDP

Photograph: Kent Gavan

Family lawyers have different rules for rich and famous clients, says Raymond Tooth

What is the difference between a celebrity divorce and an ordinary one? The simple answer is money. While an ordinary couple might be arguing over a four-bedroom house and an income of £50,000, a wealthy family and their lawyers have a very different set of negotiations.

Surprisingly enough, great wealth can make things much simpler. One might imagine that there would be months of arguments over every last penny in every account, but there is something known as the "rich man's defence", where a client being sued for divorce can state that he is worth not less than a million, and can pay whatever the court orders. In these cases, the court will generally be reasonably realistic, and as long as the asset value sum stated is not challenged, there is no need for a massive investigation into his worth.

Of course, if there is a big difference in what someone says they are worth and what their partner claims, there will be an investigation, and the courts require full and frank disclosure. The aim is generally to achieve a clean

break settlement, with both sides provided for.

Aristocratic couples have particular problems - and the Royal Family might be said to be in this category. The Duke of X may have lots of properties and acres of countryside, but none of them will belong to him outright. So when the Duchess sues for divorce, the usual thing is to sign over a property to her for life.

We try to remain friends with our clients, but we are not there to pick up the pieces

it does seem to be a factor with the Prince and Princess. If I were advising either side, I would suggest insisting that nobody says anything publicly unless a statement has been agreed by both sides - and I would threaten an injunction to silence a party that refused to comply.

Much has been made of the question of the Princess's title after the divorce.

Highness or not, does not mean that there could not be another Princess of Wales, or even several.

The most difficult problems always arise over children. In this case - and in many others where wealthy families are concerned - everyone must be grateful for boarding schools. There is no need for complicated arrangements to shut the young princes to and from their parents: the school is *de facto* in charge of them during term time and their holidays can be shared between their parents.

Divorce can bring a lot of pain, and a lawyer often has to give emotional support to clients. I know the lawyers involved in this case, and both are excellent at their jobs - I am sure they will be doing their best to make this divorce as painless as possible. When it is all over, the lawyers walk away - we try to remain friends with our clients, but we are not there to pick up the pieces after the divorce goes through.

The writer is a senior partner, specialising in divorce, at Sears Tooth.



Finding a real job for Bobby

Our police force is not about crime, it's about symbols, says Peter Waddington

The Audit Commission, like most of us, believes it knows what the police are employed to do: prevent and detect crime. It is against this definition that it has assessed the effectiveness of the police in its report "Streetwise - Effective Police Patrol", published yesterday. The commission finds the police in general, and beat patrol in particular, to be woefully inadequate, and concludes that the public's demand for "more bobbies on the beat" is misplaced.

Certainly there is precious little evidence that police officers wandering aimlessly about have much impact on crime. Establishing a police force suppresses criminal activity to an enormous extent. But the number of police and their deployment has hardly any discernible impact. The reasons are apparent as soon as the mythology of policing is stripped away.

First, virtually no society has enough police officers. A force of 130,000 - one officer for 500 citizens - seems reasonable. But those officers must provide 24-hour cover, and will need time off for leave, training and sickness. Even the most avid supporter of more "bobbies on the beat" will also demand detectives, traffic patrols, dog handlers and mounted officers, and all the other specialisms that are taken for granted. As the Audit Commission acknowledges, this almost inevitably means that sizeable towns are actually policed by a handful of officers.

Second, even if there were enough police patrolling the streets it is unlikely they would stumble across much crime. Some years ago Home Office researchers calculated that under the most favourable circumstances a patrolling police officer would pass within a hundred yards of a burglary in progress once every eight years. Even then, it is unlikely that the officer would be aware of the proximity, since the burglar would be securely hidden from

view in someone else's property.

Third, when it comes to discovering offences and detecting offenders, the police are not the main players. Ordinary members of the public are far more influential: if you and I decide not to report crimes (and we do so in roughly a third to a quarter of cases) then the police remain ignorant of them; unless the offender is unambiguously identified at the time of the offence, there is little likelihood of an arrest.

Finally, it is facile to believe that the police could do much to influence crime. Let me illustrate this with the prosaic example of fairs. Before the late 19th-century fairs were occasions for social mayhem, not infrequently concluding with the deployment of the militia. All this changed about a hundred years ago, not because of anything the police did, but because

social service", a role deplored in a recent government White Paper and despised by the police themselves.

The problem is that it is enormously difficult to distinguish clearly between what is and is not "police work". A missing child may tragically turn out to be a murder; a collapsed elderly person may have been the victim of crime; a crashed car might be stolen. The division between crime and non-crime is a permeable one indeed.

There is more the police could do to deal effectively with the enormous range of demands the public makes on them. However, the greatest inhibition is the belief that solving crime is the principal task of the police. In this, the Audit Commission is more culpable than most. The persistent emphasis that it has given to crime-fighting in its various reports into

the law and ultimately the state itself. Consider the lengths to which the authorities go to ensure that RUC officers can patrol the streets of Northern Ireland: a squad of heavily armed soldiers, with others in reserve, escorts a lone constable. This cannot conceivably be justified in crime-fighting terms, but testifies to the symbolic importance of patrol.

There is a nice irony in all this, for the available evidence indicates that crime flourishes in conditions devoid of an authoritative order. The murder rate in New York has declined markedly in the last few years. The Commissioner of the New York Police attributes this reduction to police action targeting beggars, fare-dodgers and windscreen cleaners at traffic lights. The connection is known as the "broken windows hypothesis": once a single window is broken and not repaired, the remaining windows in an empty building are smashed. Maintaining low-level order sustains a virtuous cycle that militates against more serious crime.

The withdrawal of authority from public spaces, of which the disappearance of the beat police officer is merely one part, leans in the opposite direction. If the police are not the authority on the streets, who is? The local bobs? Drug dealers?

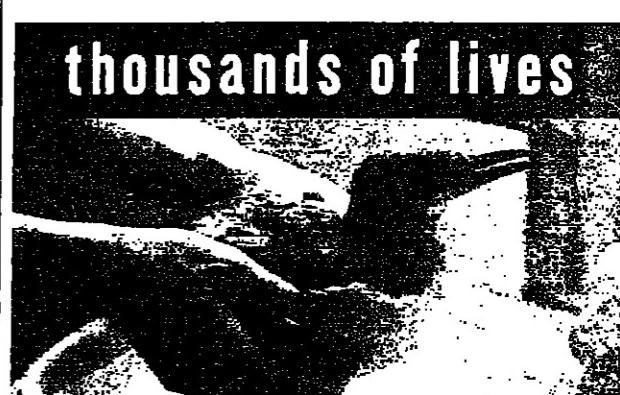
The Audit Commission report on beat patrol poses a fundamental dilemma now being experienced by many public services: how do we establish the value of such symbolic functions? Economic rationality and public accountability demand that public services such as the police use their resources effectively to achieve purposes of which the public approve. But symbolic functions are inherently difficult to evaluate. The danger is that they will therefore be ignored and left to wither.

This wider writ of the law is the reason why police become so annoyed at the suggestion that there are "no-go" areas, for such places fundamentally challenge the authority of the police.

policing merely reinforces the police's tendency to dismiss any wider role as a distraction.

Instead of chastising the public for turning to the police - as the Audit Commission in effect did yesterday in relation to 999 calls - we should ask why it does so. The answer is that the public does perceive the service as having a wider role: to dispense authority. When people feel they cannot deal with a situation, they ask the police to intervene. The reason that the public welcomes the sight of patrolling police and demands more of them, is that the beat officer represents the authority of the state over public space.

This wider writ of the law is the reason why police become so annoyed at the suggestion that there are "no-go" areas, for such places fundamentally challenge the authority of the police.



Give £15 now

The RSPCA has launched a massive rescue operation to save thousands of sea birds off the coast of South Wales. Soaked in poisonous oil and unable to fly or keep warm, hundreds of sea birds, waders and waders are dying in agony. These are the tragic victims of the Sea Empress tanker spillage.

The RSPCA is a leading authority on saving the lives of contaminated wildlife. Volunteers are already helping us to rescue, clean and transfer the birds to our Wildlife Centres for treatment. Thousands of birds are at risk and the operation may take weeks.

We receive no government funding for our vital work even in emergencies like this. Please make a donation to the RSPCA. You could help to save an animal's life.

Funds raised will help animals and birds in distress as a result of oil spillages around our shores but may also be used to help other animals in the future.

Call 0500 34 35 36 now

Or send a cheque/postal order made payable to the RSPCA. Simply complete and return this coupon to: RSPCA, FREEPOST, Bristol BS58 7AJ

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Sir Ron Dearing must solve the 16-plus riddle
MAI merger set to go through
Investment: BAe keeps clear of black holes

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CITY & BUSINESS EDITOR: JEREMY WARNER

business¹⁹

THE INDEPENDENT • Friday 1 March 1996

BUSINESS NEWS DESK: tel 0171-293 2530 fax 0171-293 2098

Latest prices set to show signs of housing recovery

DIANE COYLE
Economics Correspondent

New signs of recovery in the housing market are expected today with the publication of the first indicator of house prices in February.

Nationwide building society's house price index is expected to show a moderate increase of up to 0.5 per cent after remaining flat in January, reflecting other signs of improvement in the market.

The Halifax house price index, due on Monday, is also likely to show a modest rise. This will be the eighth monthly increase running in this widely-used indicator of house prices, although the average price in February probably remained below its level a year earlier.

Optimism that the long-awaited recovery has finally arrived will get another boost within the next week from additional mortgage rate cuts and other loyalty incentives.

Other building societies are expected to follow shortly Nationwide's move last week to demonstrate the benefits of remaining mutual by reducing its rates to borrowers.

Skipton and Bradford & Bingley are among the societies likely to announce further moves within the next few days. A Skipton spokesman said: "There is no question that we will be announcing something. It is only a matter of time."

Bradford & Bingley led an earlier round in the mortgage war. Bristol & West, Britannia and Yorkshire building societies have also announced discount schemes in recent weeks.

News of the improvement in house prices will follow new figures confirming earlier evidence of a pick-up in activity in January. Adam Cole, an economist at brokers James Capel, said: "The recovery in the housing market is gathering pace."

The number of new home loans approved during the month climbed to 80,000 – the highest since December 1994 – according to Bank of England statistics yesterday. Their level was 13 per cent up on last summer's trough. The figure is good leading indicator of housing market activity.

The value of new loans approved climbed to £4.92bn, up from December's £4.61bn and £4.56bn in January 1995. Ian Shepherdson, an analyst

at HSBC Markets, said: "Prices and actual market volumes follow behind approvals, so provided the steady momentum shown by these figures continues, things are shaping up for the best spring house-buying season for years."

The Bank of England also confirmed the January pick-up in mortgage lending reported by banks and building societies. New loans amounted to £1.32bn in total, the highest

since June. This compared with £1.1bn in December and was slightly higher than in January last year. Annual growth in home loans was 4.1 per cent.

Adrian Coles, director general of the Council of Mortgage Lenders, said the year had got off to a positive start. "Transaction and mortgage activity could improve spasmodically rather than rise steadily for some months. However, as long as confidence continues to

strengthen, the housing market should show real improvements during 1996," he said. The British Bankers' Association said there had been a modestly encouraging start to the new year.

The positive signals during the past month have led most analysts to predict higher levels of activity and house prices this year, with some arguing that the recovery could turn out to be more dramatic than most people expect.

3,000 jobs face axe in \$5bn BP-Mobil deal

MARY FAGAN
Industrial Correspondent

Up to 3,000 jobs will go at BP and Mobil in one of the most radical overhauls of the European downstream oil industry announced yesterday. The \$5bn (£3.2bn) merger of the two groups' fuels and lubricants businesses in 43 countries will create a business with sales of more than \$2bn and the strength to challenge the clout of Shell and Exxon in an increasingly competitive marketplace.

It fuelled speculation among City analysts over further rationalisation in the industry. One questioned whether US operators such as Chevron and Texaco, which have a relatively small position in Europe, might pull out altogether.

The venture will include refineries, pipelines, tankage and terminals, as well as a network of 9,000 petrol stations across Europe. It will almost all the BP and Mobil oil operations apart from the act of pumping

it out of the ground. More than 2,000 of the petrol stations are in the UK, making this the biggest network ahead of Esso and Shell. Britain is also home to BP's Grangemouth refinery in Fife and to Mobil's Coryton refinery in Essex.

By joining forces, BP and Mobil will boast a 12 per cent share of the fuels market and will become the leader in lubricants with an 18 per cent market share. The company will shoot to the top of the league in some key European countries including France where individually they might languish in fifth or sixth place. BP shares rose 10p, to close at 539p.

Joint ventures will be formed in each of the countries concerned including all EU states, Switzerland, Turkey, Cyprus, all of Eastern Europe and Russia West of the Urals. Of the \$5bn of assets to be poured into the venture, \$3.4bn will come from BP and \$1.6bn from Mobil.

John Browne, BP's chief executive, said: "This is a project that could only have been un-

dertaken by BP and Mobil. The European downstream operations of our two companies are uniquely complementary. Bringing them together will produce efficiencies through sharing costs, elimination duplication and achieving major economies of scale." He said that the marriage, which puts them in the "top tier" of European refining and marketing, will result in joint annual pre-tax savings of \$400m to \$500m within three years.

Lou Noto, chairman and chief executive of Mobil, said: "This is a venture which was not invented in the boardroom but at the working level. John and I agree that we will not nit-pick. We will not be reduced to silly games between the partners and we will not let egos get in the way." Mr Noto added that he believes the savings could go beyond those envisaged at present and stressed that the alliance should be viewed "as a platform for growth".

Sir David Simon, BP chairman, denied that there would be any problem combining the different company styles.

It is not yet clear where exactly the job losses will fall but they are expected to be among the combined non-service station workforce of 17,500. BP has a total world-wide workforce of 56,000 and Mobil 50,000.

BP will operate and have a 70 per cent interest in the fuels partnership which will run activities ranging from refining and manufacturing to petrol station forecourts, all of which will be branded in BP green and carry the joint venture mark, to include Mobil's logo. Mobil will operate and take a 31 per cent interest in the lubricants arm.

The far-reaching nature of the partnership underlines the downstream problems in the oil industry which show no signs of receding. The over-capacity and squeeze on margins in refining are legend and all the oil majors have warned that the problem will continue as new plants continue to be built in regions such as the Far East.

As recently as last month BP said it would sell or close three big refineries in Europe and the US. John Browne, chief executive, said then that BP would retain only those plants that were among the top 25 per cent most efficient in a given region.

Mobil closed its refinery in January last year and Shell recently suggested that it may be forced to cut its European capacity by up to one third. The move by BP and Mobil is like-

Happy marriage: BP chairman Sir David Simon rejected talk of a clash of cultures

Photograph: Jane Baker

ly to increase pressure on Shell, which is perceived as being too slow in taking firm action to resolve the capacity problem.

Both BP and Mobil pointed out that they have already taken the action they believe is needed to balance their refining portfolio. Mr Noto said: "Let me say clearly that this partnership is not based on de-

spair or desperation. It is based on opportunity. Both companies have taken significant strides to be more profitable. But the fact is we are not satisfied."

There has been little respite for the oil majors on the forecourt, with petrol price wars raging throughout the UK. The battle is expected to spread to the rest of Europe where the hypermar-

kets are already entrenched and taking substantial market share from traditional outlets. In mid-January Shell and Esso shook the retail market by cutting prices, underlining the growing backlash by the big oil companies against cut-throat pricing at the supermarket – now accounting for about one quarter of the market in the UK.

Analysts welcome the headline savings figure but they will be seeking answers on the effect of the alliance on longer term profitability. With the precarious state of the downstream markets and uncertainty over how far and deep the industry's rationalisation may go, the view is that this could be anybody's guess.

'No talks with GEC' says BAe

RUSSELL HOTTEN

Dick Evans, chief executive of British Aerospace, yesterday dampened speculation about an alliance with GEC with a public denial that the two companies were in strategic talks.

The two defence groups regularly discussed projects in which they were both involved, "but there are not structural talks of a fundamental nature."

Mr Evans was speaking after the release of BAe's annual results which he said reflected the successful strategy of focusing on core defence and aerospace businesses.

Defence operations saw a profit before interest of £487m to

£412m in 1995. The results also showed an improving trend at Airbus and lower losses from commercial aircraft down from £156m to £118m before interest.

Mr Evans said: "The regional jet market continues to improve and I would expect this division to break-even by 1997."

Airbus, in which BAe is a partner, had not yet decided whether to go ahead with building the AXXX large aircraft. BAe was interested, nor had it held discussions about raising its stake in the European consortium at this stage.

Mr Evans ruled out suggestions that BAe might go to the aid of the failed Dutch aircraft manufacturer, Fokker.

The pipeline, in which British

Results, page 20

Trade gap narrows to £550m

PAUL WALLACE
and **DIANE COYLE**

Britain's trade balance was better than expected in December as a result of the first surplus with the rest of the EU for more than two years. This followed a sharp decline in imports from Europe; the deficit with the rest of the world increased in January.

The trade figures came as the European Commission published figures showing that the inflation rate in January was 3.2 per cent, compared with the figure of 2.8 per cent on the government's preferred measure of RPIX – the retail price index minus mortgage interest.

Chancellor Kenneth Clarke dismissed the figure as partial and said that the real picture was much more encouraging than

that. Even so, the new interim measure, designed to assess countries' progress towards the inflation qualification for entry into EMU, left Britain missing the target – which must be no more than 1.5 per cent higher than the three best performing countries. In January, the best performer was Finland (0.8 per cent) and the Netherlands was third best, with 1.3 per cent. Britain is challenging the methodology used to compile the new European statistics.

The overall trade deficit of £557m in December surprised the City which had been anticipating a deficit of about £600m. The surplus with the EU was the first since August 1993 an improvement mainly attributable to a 2.6 per cent fall in imports from other EU members. Exports fell 0.4 per cent.

The 3 per cent fall in imports of semi-manufactured goods suggests that the underlying trade position was flattered by lower stockbuilding, as manufacturers strove to shed excess inventories. The 9 per cent fall in manufacturing investment in

the final quarter of 1995 was reflected in a drop of over 4 per cent in capital goods imports. The deficit with countries outside the EU, for which information is available earlier, worsened by almost £300m to £890m in January.

Over the year as a whole, the trade gap was £11.6bn compared with £10.8bn in 1994. The balance was helped by an oil trade surplus of £4.3bn, the highest for 10 years.

Separate figures showed that new consumer credit rose by £549m in January compared with £827m in December. This brought the annual growth rate down slightly but it remained a rapid 13.1 per cent in January.

The smaller than expected rise led City analysts to conclude that nothing now stood in the way of a further cut in base rates.

Shareholders threaten Park Lane deal

MATTHEW HORSMAN

cently sold for about £575,000 a room.

As part of its unsuccessful defiance against a £3.8bn bid by Granada, the media and leisure company, hotel group Forte issued a revised valuation suggesting an average of about £250,000 a room.

There was speculation yesterday that ITT Sheraton planned to convert the hotel, in the Mayfair district of London, into a casino, in light of the Government's planned relaxation of gaming laws.

Last month, the US company bought the Sheraton Skyline hotel at Heathrow Airport, which it had been managing.

Daniel Weadock, ITT Sheraton's chief executive, said in a statement: "This strategic blend of acquiring premier hotels in key markets, opening new hotels in markets where it is advantageous, and broadening our base of managed hotels demonstrates our goal to expand our base of leadership in gateway cities."

The sale, even at £45m, encouraged analysts that the hotel market may not be affected as feared by the resumption of bombing by the IRA. They said the sale was a boost to Granada, which is aiming to sell as much as £2bn of assets to pay down debt following the takeover of Granada.

Market report, page 22

Gas connection to Europe gets approval

MARY FAGAN
Industrial Correspondent

Plans for a £500m gas pipeline connecting Britain to mainland Europe took a large step forward yesterday with planning permission for the landing site at Bacton on the Norfolk Coast.

The pipeline, in which British

Gas has a 40 per cent interest, is regarded as vital if the UK is to resolve the problem of massive over-capacity which is squeezing the company.

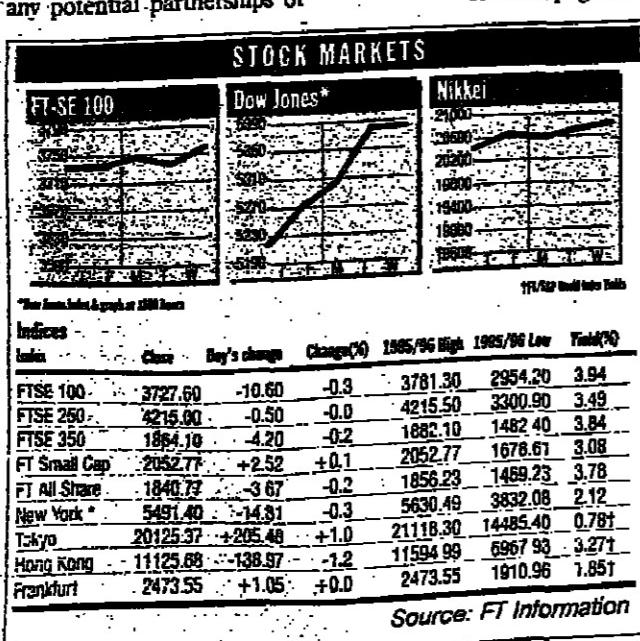
Bacan will be home to the gas compression station at the UK end of the pipeline. The consortium, which includes eight other companies including BP,

the final quarter of 1995 was reflected in a drop of over 4 per cent in capital goods imports. The deficit with countries outside the EU, for which information is available earlier, worsened by almost £300m to £890m in January.

The completion of the pipeline will coincide with the opening of the new domestic market to competition, which starts with a trial in the Southwest in April this year.

IT'S GREAT WORKING IN A MODERN OFFICE.
ISN'T IT?

THE OLIVER & CLAIRE STRIP



THE INVESTMENT COLUMN

Edited by Magnus Grimond

BAe keeps clear of black holes

That British Aerospace produced another set of dull and predictable results yesterday is, perhaps, no bad thing. After years of financial black holes and write-offs it was comforting to see figures that for a second year running did not contain horror stories.

A rise in arms sales, improvements at Airbus Industrie, and another welcome cut in losses from the regional jets business meant pre-tax profits before exceptional leapt to £330m from a restated £169m in 1994. Including charges, the profits rose to £234m from a figure of £208m, which was confused by a complex web of one-off losses and gains from the sale of Rover and aerospace restructuring costs.

Defence reported a pre-interest profit of £487m against £412m in 1994. A 2.4 per cent improvement in margins to 11.4 per cent, on sales that were slightly down at £4.25bn, underlined the success in reducing costs. New business kept the total military order book at £9.7bn, the same level as 1994.

On the commercial aerospace side, the area that almost tipped BAe into the abyss four years ago, operating losses were cut to £118m from £156m in 1994. The improvement was all the more creditable because the group was forced to fight for orders for Avro and Jetstream business at the expense of margins.

Profitability at Airbus also improved, though the European consortium is facing very tough competition from Boeing and there are worries about the amount of money BAe would contribute for a new Airbus jumbo jet. BAe was adamant yesterday that it would not enter any project that threatened to increase its cost base. Yet some investment in a larger Airbus is inevitable if the aircraft maker is to keep up with Boeing.

BAe's massive restructuring of non-core assets had reduced the company's net worth to £870m in 1994, from more than £2.6bn in 1991. The forthcoming flotation of the Orange mobile phones operation should see the residual 23 per cent stake marked up from near zero to between £530m and £570m in BAe's balance sheet. The group now looks well on its way to rebuilding the books.

The final dividend was something of a disappointment. The city was hoping for an 8p final rather than yesterday's 7.5p. This brought the total to 12.5p, up 25 per cent, on earnings per share 11.6 per cent ahead to 48.8p. BAe's policy these days is to keep dividend cover at three times over the longer term.

Despite its recent recovery, the share price, up 1p to 870p yesterday,

still does not reflect the progress so far. With all divisions now showing improvement, and further scope for cost-cutting and consolidation in the defence business, BAe remains a good long-term bet.

Lasmo is leaner after the escape

Lasmo's escape from the clutches of its rival Enterprise Oil in the middle of 1994 has had a galvanising effect on the management. The housekeeping measures introduced following the failure of the bid are already reaping benefits, as yesterday's figures for 1995 show.

Net profits for the 12 months to December came in above expectations at £34m, reversing the previous year's loss of £2m. That was a very respectable result, even after taking account of the massive £24m bid defence costs which depressed the 1994 figures. Lasmo suffered a 5 per cent drop in production to 164,000 barrels a day of oil and gas last year as it sold older, higher-cost production assets. Last year saw the disposal of stakes in the Forties and Beaufort

rice fields in the North Sea and an interest in the Malacca Straits in Indonesia. More recently a couple of elderly Canadian fields have gone.

But, along with overhead cuts, Lasmo's portfolio tidying has brought it very close to its target of £2 a barrel operating costs by next year. After shaving a further 7 per cent in 1995, they now stand at £3.17.

Although improving on that will get progressively harder, unit costs will be further reduced by higher production, set to rise to 185,000 barrels a day this year and 210,000 in 1997, and the advent of lower-cost fields. Liverpool Bay, for instance, which came on-stream at the turn of the year, pays tax at 33 per cent compared with up to 50 per cent in mature North Sea fields.

But the excitement in Lasmo lies elsewhere. Test results released yesterday confirm that Lasmo and its partners in the Hassi Berkine fields in Algeria have the makings of a massive oil and gas reserve.

The five discoveries there to date suggest a reserve potential of 1.5 billion barrels, with Lasmo's share put conservatively at 82 million barrels or 11 per cent of its total reserves. The eventual figure could be at least double that, depending on the outcome of further exploration. Lasmo plans 10 wells this year.

Meanwhile, the share price has been run up recently on renewed takeover speculation. Shell looks an obvious predator. As one of the world's largest natural gas groups, Lasmo's Indonesian and Algerian assets have obvious attractions.

In the meantime, the shares, down 4p at 184p, still stand at a discount to the 30p net asset value put on them by house brokers NatWest Markets. Good value.

Burford offers shelter

Nigel Wray is one of the whizz kids of the 1980s stock market boom whose investment reputation has survived intact into the recessionary 1990s. Burford Holdings, the property group, is a case in point. Since Mr Wray reversed his *Chartsworth* tipsheet group into Burford in 1988, the shares have outperformed the rest of the index by 49 per cent, despite one of the worst property recessions since the war.

The record is impressive. Burford claims to have achieved a compound rate of increase in net assets of 106 per cent since 1987, a return which was heavily boosted by November's merger of the Trocadero group, owner of the eponymous leisure complex in London's Piccadilly.

The Trocadero was a classic Nigel Wray deal. It was acquired for £94m in the middle of 1994 having begged two previous owners. The business is now valued at over £200m on Ains.

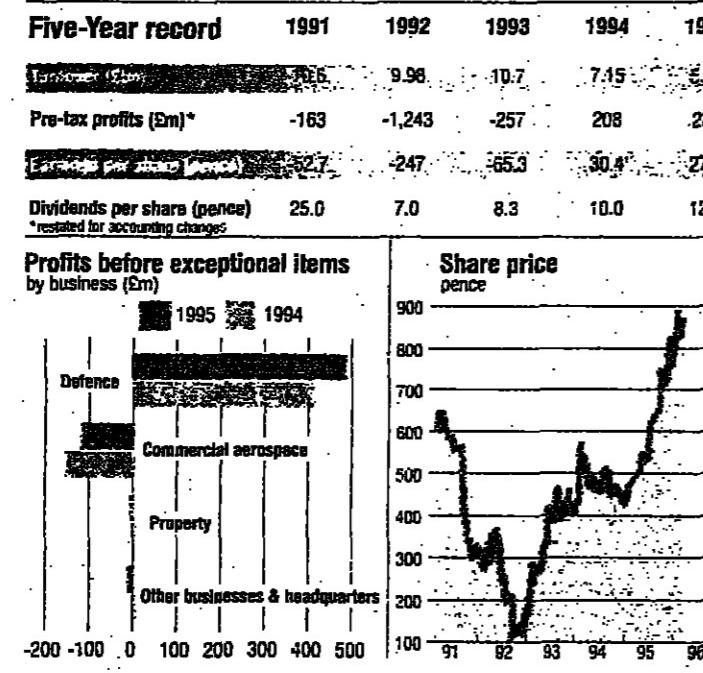
Excluding Trocadero, net assets remaining with Burford showed a healthy 16 per cent rise to 104.3p last year. On the same basis, profits before tax slipped from £14.7m to £11.7m in the 12 months to December.

With the £154m raised from the Trocadero deal and other disposals, the group has £154m in cash, leaving it in a very strong position. The potential for something interesting may lie within the group of properties in London's Covent Garden acquired recently from Scottish Widows for £49m.

In the meantime, house brokers BZW expect profits to recover to 14.1m this year, with net assets climbing to 115p. The shares, unchanged at 107p, are a safe haven in a dull sector.

British Aerospace: at a glance

Market value: £4.2bn, share price 870p



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John Willcock CITY DIARY

An analysts' note full of sound and fury



Shakespeare: Does it have some meaning for mergers?

sector in the same department who had been with SG Warburg since 1985, left to join BZW.

Mr Coulthurst was recruited by Mark Seligman, now BZW's joint chief executive corporate finance, and himself a former Warburg director. With the recent defection of another big cheese, Derek Higgins, to Prudential, does this mean that the Warburg corporate finance side is unraveling since the Swiss takeover?

"No," retorted a SBC Warburg source yesterday.

While the bank would say nothing officially, the source said that suggestions of unravelling were "a tired, cracked record that stopped before Christmas. There's no exodus

or flood. Just the normal flow of joiners and leavers."

A gaggle of economics writers from the national press demonstrated their gratitude to the Treasury's Andrew Hudson for his departure by feting him at London's famous Hungarian restaurant, the Gay Hussar, on Wednesday evening. Mr Hudson sustained his famous discretion till the end, sticking with nothing stronger than a white wine spritzer or two.

The one thing he let slip to the hacks before his departure pertain to a policy job in the Treasury was the revelation that the press office had had to work hard to persuade Kenneth Clarke not to appear on Fantasy Football.

For the uninitiated, this is the late-night television programme on footie with comedians David Baddiel and Frank Skinner. The Chancellor - a Nottingham Forest fan - thought it would help boost his man of the people image. The minders thought our beer-drinking, piano-puffing jazz aficionado chancellor was already man of the people enough.

10,000 for



house in £62

MAI merger set to go through

MATHEW HORSMAN
Media Editor

The City was betting last night that the proposed merger between MAI and United News & Media would be passed overwhelmingly, on the eve of the deal's first close today.

Shares in MAI, the nominal takeover target under the merged structure, closed last night at 411p, about even with the all-share offer from United at yesterday's price of 644p.

Lord Hollick, MAI's chief executive, last night wound up a series of institutional briefings aimed at convincing a sceptical City of the merits of the proposed merger, which has been characterised as "defensive" by most observers.

"There are no great synergies to be had here," said one analyst. "But in the absence of any other bid, it will go through."



Lord Hollick: seeking to convince a sceptical City

Hopes that another media company would enter the fray have faded, particularly since last week's dramatic statement from Carlton Communications, Michael Green's TV and video services company, that it would not intervene.

The combined companies, which will have extensive television, magazine and newspaper interests, are expected to post pre-tax profits next year of between £290m and £340m, according to analysts. The unusually broad range of forecasts is a reflection of City doubts about the advantages of the merger. Last year, there were pro-forma operating profits of about £265m.

Analysts at Hoare Govett are among the more optimistic about the proposed merger, which would group MAI's two television licences, Anglia Television and Meridian, along with United's *Daily Express*, *the Sunday Express*, *the Star* and magazines and regional newspapers. They point to Lord Hollick's track record at building profits at MAI, and assume his role as chief executive of the merged companies will bring improvements to United's range of businesses. The chairman of the new company will be Lord Stevens of United.

But other analysts question whether the combination of television and newspapers will generate any additional value.

"This is really about backing management rather than analysing value," Louise Burton, analyst at Henderson Croftswaite, said. "We are recommending the merger, but don't see any great synergies." She is also concerned about the likely losses the group will clock up following the launch of the new Channel 5 service, in which MAI has a 30 per cent stake.

The merger marks the first attempt to marry independent television and national newspapers, following the tabling of the new Broadcasting Bill. Analysts expect further activity in the sector.

Daiwa unsure of merger after \$340m fine

DAVID USBORNE
New York

Daiwa Bank yesterday appeared to cast doubt on a merger with Sumitomo, its Japanese rival. Takashi Kaiho, Daiwa's president, said a merger was still one option, but he had no detailed ideas about such a link-up.

He was speaking a day after the bank was fined a record \$340m in the US States for concealing a \$1.1bn unauthorised bond trading loss from American regulators.

As a consequence of the bond trading scandal, which forced Daiwa to close all its operations in the US, the Japanese bank was believed to have accepted a merger with Sumitomo as a way out of its crisis.

In accepting its punishment for covering up huge trading losses by a rogue bond trader over 11 years, Daiwa gave satisfaction to indignant US regulators and itself avoided a lengthy trial. Mr Kaiho also said Daiwa would be able to post profits for current fiscal year ending 31 March.

Announced late on Wednesday, the guilty plea in a Manhattan court brings to an end the whole humiliating mess that

has strained US-Japan economic ties and cast doubt on the bank's very future. Daiwa shares rose on the news in Tokyo yesterday.

In the end, Daiwa, which sold its US operations last month to Sumitomo, pleaded guilty to 16 charges of covering up, conspiracy, falsifying books and obstructing examination of its books by US regulators. Until its plea, the bank had denied all the charges.

Had Daiwa held out, a high-profile criminal trial against it would have started on 15 April. A guilty verdict at trial, moreover, could have meant the bank paying a much larger fine, perhaps as much as \$1.3bn.

All that remains to be done in the affair is the sentencing of Toshihide Iguchi, the trader who has already agreed to his guilt in incurring the \$1.1bn loss, and the trial of the New York branch's former general manager, Masahiro Tsuda, who has pleaded innocent to the charges against him.

The pleasure of the American government is evident. Mary Jo White, the US Attorney in Manhattan, said the guilty plea should serve as a message to other corporations.

IN BRIEF

Hoare Govett boosts ABN Amro

ABN Amro, the Dutch bank that owns Hoare Govett, beat expectations with a 14 per cent rise in 1995 pre-tax profits to just over £1bn. Chairman Jan Kalff said the group's investment banking operations had been the prime engine behind profit growth last year. Hoare Govett has been expanding vigorously, taking on 50 more people, and bonuses next week are expected to reflect a good year. Hoare Govett was involved in five of the seven top UK deals in 1995.

Computer company in Centregold talks

Eidos, the computer game company has confirmed it is in talks, which may lead to an offer for Centregold, the troubled video games publisher whose shares were suspended last month. Geoffrey Brown, the former maths teacher who floated Centregold in 1993, has undertaken to accept an offer of 40p per share for his 29 per cent stake. This values his holding at £5m and the company at £16m.

Willis Corroon hit by £36m provisions

Insurance broker Willis Corroon yesterday announced provisions of over £36m to cover the costs of slimming its UK underwriting operations and pulling out of surplus property. The group said it will take 20 years longer than the originally planned 15 years to exit fully from all underwriting obligations. It announced a 3.6 per cent rise in pre-tax, pre-exceptioal profits to £79m. Costs were reduced by £28m in 1995, with a further £10m-plus reduction expected this year. Chairman John Reeve, who joined Willis last November from Sun Life Corp., said the insurance industry globally was inefficient and ripe for the introduction of modern technology.

COMPANY RESULTS

	Turnover £	Pre-tax £	EPS	Dividend
British Aerospace (F)	5.74bn (5.35bn)	234m (208m)	48.8p (22.8p)	12.5p (10p)
Burford Holdings (F)	34.44m (27.44m)	11.7m (14.2m)	3.04p (4.22p)	1.35p (1.75p)
Cards Group (F)	1.1m (925m)	55.5m (43.3m)	26.8p (22.8p)	10.4p (0)
Lasmo (F)	53.7m (54.8m)	34m (+3m*)	1.6p (+2.4p)	1.25p (1.25p)
Life Sciences (F)	205m (175m)	20.7m (24.4m)	7.5p (10.8p)	4.4p (4.4p)
Sains Group (F)	323m (298m)	15.2m (12.5m)	15p (12p)	4.7p (4.4p)
Transatlantic Holdings (F)	153m (155m)	93.0m (95.0m)	17.56p (16.88p)	14.5p (13.2p)
Wm Carron (F)	655m			

business


COMMENT

'Since the Eurotunnel disaster, there surely cannot be much of an appetite for privately financed projects with anything resembling a tunnel attached to them'

Rail link could succeed where Eurotunnel failed

At last, Richard Branson seems finally to have got something. The national lottery? No chance, Channel 5? Come off it. The high speed Channel tunnel rail link? Well, alright then, but only as part of an eight member consortium with Virgin in a subservient position to the City investment bank, SBC Warburg. The real question, however, is not so much whether it was Mr Branson or others that secured the project for London & Continental, as just what the consortium has actually won. Post the Eurotunnel disaster, there surely cannot be much of an appetite for privately financed projects with anything resembling a tunnel attached to them.

In the case of the high speed rail link, there are 26km of the things and that is not the only similarity with Eurotunnel. The proposed method of finance - debt supported by a very sizeable stock market flotation - also bears a marked similarity. Nor do you need much of a memory to know that Warburgs was the bank which convinced a generation of hapless investors to sink their money into Eurotunnel, not just once, but twice.

Enough scepticism, though. There are in fact a number of good reasons for believing that the high speed rail link might succeed where Eurotunnel failed. The first and most important is a whopping £1.5bn in Government and EU grants. Most of this is a capital grant towards the estimated £4bn eventual cost of the project. Though this will

not be paid until well into the project's construction phase, it does provide a degree of comfort not available to Eurotunnel.

The balance is in the form of deferred payments by the Government for use of the track by computer trains - rental income, in other words. Add this to the revenue stream London & Continental will get from the one-third interest it inherits from British Rail in Eurostar, and the company already has a quite considerable guaranteed income. The idea is that this will be used as a way of guaranteeing to bankers that debt servicing and repayment obligations will be met. The guaranteed income will in some way be securitised. No wonder that even Eurotunnel-scared bankers are saying "Hold on, this might actually work".

A further plus point is that there are no contractors in this consortium. True, Arup and Bechtel are closely related towards the bottom of the evolutionary chain, but as design engineers and project managers, they are also an entirely different species. With Eurotunnel, the contractors were allowed to write their own blank cheque. That won't happen this time round.

Furthermore, Eurotunnel began tapping the equity market before it knew in any detail what it was supposed to be building. In this case a detailed design and engineering plan involving expenditure of up to £250m will be completed before a penny's worth of equity is raised on the stock market.

All good reasons, then, why the high speed rail link, the largest project so far to have emerged from the Government's private finance initiative, might work. Even so, it is going to require all SBC Warburg's powers of persuasion to close the credibility gap - the more so since it is equity investors rather than bankers, who this time will be expected to provide the bulk of the finance.

Stakeholding is a dangerous slogan

Tony Blair may have stirred up more than he bargained for when he pinned New Labour's colours to the stakeholding mast. In a speech yesterday, John Monks, general secretary of the TUC, interpreted this woolly concept as an open door to winning new employment rights. Speaking at a conference organised by the Commission on Public Policy and British Business, Mr Monks added fuel to the debate by arguing that stakeholding could only be built on a floor of employment rights. He used the occasion to argue for a new industrial relations settlement based on new employment rights for individual employees. These would include, for example, the right to be consulted about major changes in a company through democratically chosen representatives; and the right for unions to be recognised when a majority want it. Rest assured, the Tory party machine will demonise Mr

Monks' words as the smoking gun of revisionist trade unionism lurking behind stakeholding rhetoric.

However, it was some less predictable voices at the conference which should give Mr Blair real food for thought about the possible dangers of his new umbrella slogan. Colin Mayer, Professor of Management Studies at Oxford University, drew a contrast between the more rigid economic structures of the stakeholding countries of Europe and the greater flexibility that came with the Anglo-Saxon model of shareholder capitalism. He warned that we could be leaping onto the stakeholder bandwagon at the very moment when technical innovation made flexibility particularly important.

Another perspective came from Matthew Gaved, a specialist on corporate governance at the London School of Economics. He argued that the real problem with shareholder capitalism in the UK was not one of excessive power but of impotence. Big fund managers like Hermes and M&G complained they were next to powerless when trying to influence the management of a poorly performing company. That left exit - the sale of their shares - or a takeover battle as their only real sanctions. Reforms were needed to allow shareholders to exercise their voting power on their own resolutions more frequently than the AGM. The slogan of the stakeholding economy may make for good soundbites for Tony

Blair in the run-up to an election but Labour needs to do a lot more work on the policy if it is to be taken seriously as a solution to the vexed problem of corporate governance in Britain, let alone the still more ambitious task of improving the performance of the economy.

BP attempts to crunch the customer

The last one out switches off the lights. The rationalisation of great swathes of European industry continues apace with BP and Mobil merging their European downstream activities in a deal which, competition authorities allowing, will almost certainly prove a trend-setter. Where's it all going to end?

In theory, the relentless drive towards lower costs in industry and commerce should result in lower prices. If the market is doing its job as it should, the consequent savings flow into new industries, new technologies and ultimately new jobs. But it is not altruism alone which drives businesses into these huge, rationalising mergers. The motivation is as much about market power and dominance as anything else. Don't be fooled. Competitive pressures may be the immediate cause of the BP/Mobil get together. By becoming number one in Europe, or close to it, however, the ultimate idea is to crunch the customer.

£500,000 for sacked Exchange chief



Sacking match: Michael Lawrence (left) and John Kemp-Welch have given MPs very different versions of events

JOHN EISENHAMMER
Financial Editor

Michael Lawrence, fired as chief executive of the London Stock Exchange in early January, agreed a payoff of just under £500,000 yesterday, as an official inquiry into the Exchange looked set to turn into a public slanging match.

The pay-off was well below initial expectations, given the manner of his removal, sources said. Mr Lawrence had opened negotiations for over £1m in compensation for his dramatic removal from the £342,000 a year post.

Refusing to comment yesterday on the details, Mr Lawrence said: "I do not see this as a pay-off for failure, but one for success."

Because of the abruptness of Mr Lawrence's dismissal, and the confirmation that it would result in no change of policy, the Exchange is believed to have feared it had a weak hand in the

Angered by these claims, it is believed that Mr Kemp-Welch will feel obliged to give more ex-

pective negotiations, and was expecting a settlement nearer £700,000.

The Treasury select committee yesterday heard that it intends to recall John Kemp-Welch, chairman of the Stock Exchange, to answer questions about the widely different versions of events leading up to Mr Lawrence's dismissal.

Interviewed by MPs on Wednesday, Mr Lawrence had accused Mr Kemp-Welch of stabbing him in the back, after giving in to pressure from a group of powerful market making firms which had mounted a coup to wrest back control over the Exchange.

Mr Lawrence said he believed he had the full confidence of the Exchange's board, and that there was no warning of his sudden demise, engineered by a tiny fraction of the board's members.

Angered by these claims, it is believed that Mr Kemp-Welch will feel obliged to give more ex-

plicit details of the problems and difficulties associated with Mr Lawrence's management style.

In his first, highly fraught hearing before the Treasury select committee, Mr Kemp-Welch had told MPs that Mr Lawrence's departure had been preceded by a steady erosion of confidence in the chief executive's ability and his management style.

Sir Thomas Arnold, the Conservative chairman of the Treasury committee, said yesterday: "Michael Lawrence said some very strong things, and we feel Mr Kemp-Welch should be given the opportunity to respond." Referring to the different versions of events, Sir Thomas said: "So what is all about? We need to know."

In their inquiry MPs have been focussing on the powers of the market-making firms, which dominate the current share trading system in London as middlemen by offering buy and sell prices. MPs have ques-

tioned whether the privileges accorded these market makers are anti-competitive, and therefore whether the way the stock exchange is run, if the allegations of market making dominance are correct, is itself anti-competitive.

The committee said it intends to call the Treasury to give public evidence on the matter, and will ask the Office of Fair Trading whether - in the light of the controversy - it wants to look again at the activities of the market makers.

The OFT may also be asked to give public evidence. "The key question taking shape to my mind is whether issues of the way the exchange manages itself also raise questions of competition," said Sir Thomas.

"One lot of players say the decision making at the Exchange is flawed, and define those flaws, and another lot also says it is flawed, and defines the flaws completely differently. There is a lot to look at here."

IN BRIEF

Business Link problems 'isolated incident'

The problems at Business Link Merseyside that led to the suspension of two senior executives were an "isolated incident" which did not indicate widespread problems in the national network, the Department of Trade and Industry insisted last night. The Liverpool-based organisation confirmed that Peter Burns, chief executive, and Stan Patterson, finance director, had been "suspended as a precautionary measure" pending a review of operations by accountants at KPMG. Deputy prime minister Michael Heseltine, who launched Business Links three years ago while president of the board of trade, would not comment.

Amex and Microsoft sign Internet deal

Microsoft and American Express have signed a licensing agreement for software allowing secure payments on the Internet. Online transactions with American Express cards will use Microsoft's version of the Secure Electronic Transactions protocol. This will provide encrypted communications worldwide.

SKB cuts 400 jobs across Europe

SmithKline Beecham, the drugs group, announced a major restructuring of its manufacturing network in Europe involving the loss of 400 jobs, the closure of five plants and the reduction in size of a further two. Two plants in France and others in Italy and Spain will shut. Those at Crawley in Sussex and Heppings in Belgium are to be "downsized".

Fund manager find £20,000

Rea Brothers (Investment Management) was fined £20,000 yesterday by City watchdog IMRO for allowing overdrafts to occur on client accounts.

Storehouse in £62m stores deal

NIGEL COPE

Storehouse, the Mothercare and BHS retailer, made its first acquisition since the era of Sir Terence Conran yesterday, paying Boots £62.5m for Childrens World, its loss-making out-of-town store chain.

There are 56 branches of Childrens World - but the business has made only one marginal profit since Boots first launched the concept nine years ago. Last year it made an operating profit of £500,000 on sales of £105m but has since slumped back into loss.

Storehouse will change the name to Mothercare and gradually expand the range of toys and equipment such as prams

as well as bulk buys of disposable nappies. Five more stores are due to open this year. "We think we can make a lot of money out of it," the company said.

Storehouse plans to reduce costs by £5m which will include some job losses at the Childrens World head office in Nottingham, Herts and Chelmsford in Essex.

Keith Edelman, chief executive of Storehouse, said: "The purchase of Childrens World enables us to speed up the pace of development and gives us out-of-town opportunities."

The deal was applauded in the City which could see benefits on both sides. Sean Eddie, retail analysis at NatWest Securities said: "It is one of those rare birds where everyone is a winner. It is earnings enhancing on both sides."

Boots has removed a long-running dud from its portfolio and achieved a better-than-expected price. Storehouse has picked up a chain of 50 good out-of-town sites which is a rare opportunity given current planning restrictions on out-of-town stores.

The deal gives Boots the opportunity to concentrate on its core business. However, the company has still to come to grips with other under-performers. Do It All, the DIY chain is still losing money and is unlikely to attract a buyer. Fads and Homestyle are also struggling.

Boots shares closed 5p higher at 594p. Storehouse also finished 5p up at 310p.

US agrees to open-skies deal

DAVID USBORNE
New York

Pressure was increased yesterday on Britain to settle its differences with the United States on finalising a new bilateral aviation agreement after Washington signed a sweeping liberalisation agreement with the German government.

The "open-skies" pact promises to end restrictions on passenger and cargo flights between Germany and the United States, granting the airlines of each country access to all destinations in the other and removing other restrictions on capacity, services and code-sharing arrangements.

It remains contingent, however, on the US government agreeing to grant immunity from fair-trading laws to Lufthansa and United Airlines, which plan to extend their already existing code-sharing partnership. Such immunity has already been extended to Northwest Airlines and KLM of the Netherlands.

"The new agreement will open the skies over the Atlantic for German and US airlines and guarantee them the leeway they need to succeed on the transatlantic aviation market," said Germany's Transport Minister, Matthias Wissmann. Both sides

hope to confirm the deal in time for a visit to the White House in April by German Chancellor, Helmut Kohl.

Attempts by Britain and the US to strike a similar open-skies deal have so far met only frustration. The European Commission for Transport, Neil Kimock, is against member states negotiating bi-lateral packages, and wants a collective agreement.

The latest UK-US round of talks were aborted by the US side last autumn. A deal with Germany could harm Heathrow's position. Last month, the Foreign Secretary, Malcolm Rifkind, appealed for a quick resumption of the talks with the United States.

Included in the deal, for example, is a provision to allow carriers to pick and drop off passengers at points beyond the US and Germany. Thus Germany could become a hub for flights by US airlines to Asia. German carriers, meanwhile, would be allowed to fly into the US from other third countries.

A separate "goodwill" package will take effect almost immediately while confirmation of the full deal is pending. This will, for example, allow US airlines to add 20 flights a day to its German schedules.

The Group

► Group assets under management increased over the year by almost £6bn to £44bn with total new premiums amounting to just over £2bn.

► Standard Life is exceptionally strong financially - with a 'Triple A' rating from both Standard & Poor's and Moody's - and is more than able to finance all likely future developments whilst retaining its mutual status. It therefore has no plans to demutualise believing strongly that a well-run mutual company should provide better returns to its policyholders than a proprietary company which must be run primarily for the benefit of its shareholders.

► With profit policyholders continue to receive excellent returns.

► Group development continued with -

- a branch office opened in Frankfurt and distribution agreement signed with Germany's largest life broker,

- a joint venture agreement signed with one of India's premier financial institutions in anticipation of the opening of the marketplace in that country,

- a Representative Office in China opening in Shanghai later this year.

United Kingdom

► Whilst business flowing from the tie with the Halifax ceased, business from other sources increased in a difficult market.

► Continued interest from overseas companies in acquiring UK insurers is likely to keep in business a number of companies which might otherwise have left the market.

► Standard Life is pleased that a consensus is emerging that the regulation of the financial services industry requires urgent change.

► Guidelines on corporate governance were issued to the Chairmen of the FTSE 100 companies.

Canada

► The flow of funds into stocks and bonds, fuelled by the slowdown in the North American economy, contributed to excellent returns from the financial markets.

► A new range of group savings and retirement products was well received and considerable success was achieved in the individual savings and retirement markets.

► Overall new business was at record levels.

Republic of Ireland

► Whilst demand in general has shifted from traditional product lines, sales of pension products has remained strong.

► Investment in the infrastructure supporting its Irish operations has ensured that the Company can meet the needs of its customers now and in the future.

Spain

► Premium income increased substantially and further branches were opened across the country.

► During 1996, Prosperity intends to acquire additional product licences and develop the means to extend its range of insurance and financial products.

The Annual Report and Accounts, including the Agenda for the Annual General Meeting to be held on Tuesday, 23 April, will be available from Friday, 29 March. Policyholders may obtain a copy by writing to the Customer Information Team at PO Box 141, 1 Tanfield, Edinburgh EH3 5RG or by telephoning (0131) 245 2668. Proxy forms may be similarly obtained by members entitled to vote.



STANDARD LIFE

THE SECURITIES AND FUTURES AUTHORITY

"Rolling Spot Forex" Business A message for investors

As of today March 1st 1996, firms offering "rolling spot forex" dealing services should have applied for authorisation under the Financial Services Act.

- ◆ If you are a customer of one of these firms you can check if it has applied for authorisation by calling SFA's Information Line on 01423 944403
- ◆ If the firm you are dealing with is not included in that Information Line you should contact the Securities and Investments Board on 0171 638 1240 immediately.
- ◆ The Information Line will be updated once applications have been processed.
- ◆ Until authorisation is granted you will not enjoy the protections offered by the Financial Services Act, such as the

market report/shares

DATA BANK

FT-SE 100

3727.6 -10.6

FT-SE 250

4215.0 -0.5

FT-SE 350

1864.1 -4.2

SEAO VOLUME

768.2m shares,

31,886 bargains

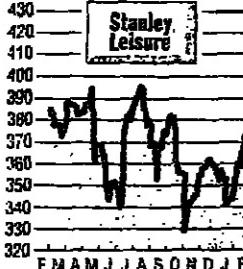
Gifts Index

93.05 -0.26

SHARE SPOTLIGHT

share price, pence

Stanley Leisure



Sales beckon as peace prospects help boost Granada

Granada could be near to clinching the first of the big sell-offs promised during the furious £3.8bn battle for Forte.

The shares, weak since the IRA bombing campaign cast doubts about its ability to execute quick sales at realistic prices, gained 19p to 72.7p.

Although the peace initiative helped the shares, the main driving force was the prospect of asset disposals which Granada urgently needs to reduce its debt mountain. It is due to decide on a £12m offer from Regal Hotels for 67 of Forte's White Hart country hotels by this weekend. And there is also talk a deal has been reached over some of Forte's so-called trophy hotels, a portfolio which has attracted former Forte chief, Sir Rocco Forte. Granada could, however, find its 68 per cent Savoy stake, with its readily available valuation, the easiest asset to sell. Savoy "A" shares held at 1.38p.

But the popular guess is a deal, possibly with Whitbread, over the Welcome Break chain of 26 motor way services areas. Granada, already owning 26 service areas, undertook to sell the Welcome chain to avoid monopoly problems. A price of around £290m is thought to be likely.

For Whitbread, a motorway purchase would represent some consolidation for its failed £1.05bn offer for Forte's budget hotels and roadside restaurants.

The rest of the stock market endured a lacklustre session with the FT-SE 100 index losing 10.6 points to 3,727.6. Another poor performance by Government stocks, weighed down by weakness in European bond markets, undermined sentiment.

British Petroleum, on its Mobil deal, gained 10.5p to 539.5p. The shares would probably have moved even

higher if sudden doubts about crude oil prices had not taken their toll. Last week slipped 4p to 184p.

Burmah Castrol felt the impact of the BP/Mobil deal, falling 3p to 1,051p. Negative comments from ABN Amro Hoare Govett did not help.

Leisure shares continued to score from the proposed relaxation of gaming rules. Stanley Leisure, the bookmaker, gained a further 16p to 435p and Bass, with the added advantage of planned longer pub opening hours, moved ahead 5p to a 759p peak. Ladbrokes, still helped by bid hopes, gained 25p to 186.5p.

Acorn Computer held at 224p. Olivetti, the Italian group, has agreed to sell 10.5 per cent of the capital to an institutional investor. The deal will cut the Italian interest to 48.4 per cent. An Acorn spokesman said Olivetti had been "pressured" by the American investor to sell part of its shareholding.

Memory Corporation, with a system for revitalising defective computer chips, continued to express worries about today's results. The shares fell 38p to 332p. They have lost 70p this week.

Lucas Industries, reported to be bidding for a 28 per cent stake in French car parts maker Valeo, firmed 15p to 187.5p.

If it does succeed in buying the stake, from Italian industrialist Carlo De Benedetti, it is expected to bid for the rest of the capital.

Such an exercise would cost more than £2bn.

Yorkshire Electricity came

for another speculative run, gaining 12p to 754p. Sparking

the latest interest were reports that at a US conference Thomas Boren, president of Southern Electric, the US group which has already con-

quered South Western Electric, talked of more UK buys with Yorkshire and Mid-

land up 4p to 394p) topping the list.

In recent days Yorkshire has attracted determined buying from two US investment houses, Bear Stearns and Merrill Lynch.

Botta gained 5p to 594p on the Children's World sale to Storehouse, up 4p to 310p.

The flurry of hot activity

TAKING STOCK

Kensell, the struggling building design consultancy formerly known as YRM, has become professional adviser to the Millennium Commission Panel. It has also won other commissions. David Lunn, chairman, believes there are "grounds for encouragement". Kensell, which has raised £1.42m through an open offer, was one of the worst performing shares last year. This year the shares have found a new low - 0.75p.

Streamline, a road marking group, traded at 184p against a 180p placing price. It accompanied its market debut with news of a £10.5m highway maintenance contract.

Life Sciences International, the health care group jumped 15p to a near 53m profit fall to 20.7m. The appointment of Riccardo Puglisi as chief executive helped the shares.

Caspian, the merchandising group where Chris Akers, ex-Swiss Bank Corporation, has moved in as chairman, firmed 0.5p to 14p-in-Dubai.

The flurry of hot activity

continued to bring joy to executives at stockbrokers Shaw & Co who took flotation fees in shares and options. They are locked in until November.

MARKET REPORT

DEREK PAIN

Stock market reporter
of the year

Sir Ron must solve the 16-plus education riddle

Ask passers-by in the street how much change they would get from a fiver for a sandwich costing £1.24, and one in six of them will have trouble working it out. According to the Basic Skills Agency, many adults have serious literacy and numeracy problems.

But this is just the tip of the unskilled iceberg. Policy-makers across the political spectrum agree that something needs to be done to improve the skills of the British workforce. The question taxing their minds most heavily at the moment is who should pay the bill.

Last week the Government announced that Sir Ron Dearing is to lead a review of the funding and structure of higher education, to come up with a better way to finance the expansion of universities.

Two days later it emerged that Labour had abandoned its long-standing proposal to introduce a training levy on all employers who did not provide a critical amount of in-house training. Instead they are considering tax relief for individuals and employers who contribute to individual learning accounts.

The search is on for a fair and effective way to develop post-16 education. The current system fails on both counts. Many individuals do not acquire the skills that they and the economy need. Meanwhile the great



INDUSTRY VIEW

YVETTE COOPER

est subsidy goes to high-earning graduates rather than low-skilled, low-paid people. Individuals, businesses and society as a whole all gain from post-16 education. The question is how the cost of improving education should be split between the different beneficiaries.

In a paper for the Centre for Economic Performance, economists Richard Layard, Peter Robinson and Hilary Steedman argue that businesses should only pay for training when they are able to capture enough of

training levy was that it could not distinguish between general and firm-specific training. Firms that spent a lot of money on training staff to use unique technology would have escaped the levy, despite the fact that the skills they taught were useless in any other employment.

Layard and others argue that employers already provide firm-specific training, and they should not receive any extra subsidy from the state to continue doing so. But nor should they be expected to contribute to the well-educated.

Businesses and individuals are unlikely to be able to afford the cost in advance, nor will they see huge wage returns afterwards, given that they are simply catching up with the education others received courtesy of the taxpayer. So the state will have to invest on behalf instead. And given that there are fewer low-skill jobs available, investing in the low skilled has the added social benefit of keeping them off the street and out of the dole office.

This finding has several consequences for policy-makers. If individuals already have good basic education or portable vocational skills, then firms need ready to offer firm-specific training on them.

Two problems need to be resolved. The first is ensuring that everyone gets adequate basic education. And the second is finding an effective and fair way to fund the acquisition of additional portable vocational skills. What is clear, however, is that

the returns to the investment they distinguish between "general training" which raises the productivity of employees in every way – and equips them to get better jobs elsewhere – and "firm-specific training", where the productivity gains are particular to the firm and the technology it uses. One serious disadvantage of Labour's old

Something needs to be done to improve the skills of the workforce

is that they do not acquire the skills that they and the economy need. Meanwhile the great

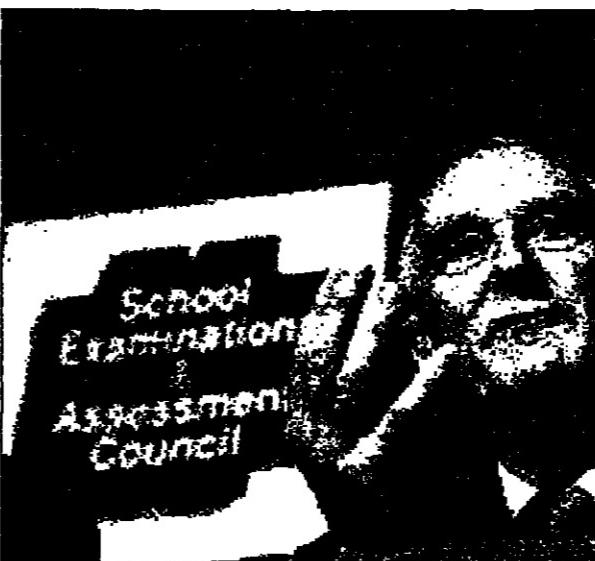
employees benefit disproportionately from the kinds of training that firms undertake.

In a new paper for IPPR's Commission on Public Policy and Business, Steve Machin and David Wilkinson have analysed who receives training and who doesn't. In an examination of the Labour Force Survey they discovered that companies educate the well-educated.

In 1994 26 per cent of graduate employees had received training in the previous four weeks, compared with 18 per cent of those with A-levels or equivalent, 13 per cent of those with GCSEs and 4 per cent of those with no qualifications at all. Moreover, firms train even when employees pick up considerable financial returns as well. Those same highly educated employees who are receiving in-work training also pick up the greatest personal return from the courses they take.

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Sir Ron Dearing: called in by the Government to study the structure and funding of higher education

percentage of the payroll towards to your earning power. It also confers access to further training and education throughout your life, so it seems reasonable that graduates should contribute to the education too. Eighteen-year-olds are rarely in a position to stump up several thousand pounds in advance.

skills – such as bricklaying – may be just as useful for employees moving between jobs. But at the moment academic education absorbs all the state subsidy while would-be bricklayers are forced to invest in themselves.

Politicians and policy-makers are right to be concerned about expanding and financing post-16 education. But they should not do so in a vacuum. Whether it be portable vocational training, or higher education, the state should take a similar approach to each.

Individuals who get the highest return should contribute most

but borrowing and then repaying the money over a long period makes perfect sense.

Sir Ron Dearing will consider ways to make graduates pay towards their education without crippling them with debt, or discouraging them from going to university in the first place. Academic education is one form of portable skill. Other portable

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sport

FIVE NATIONS COUNTDOWN: England's lineout may be Bristol fashion but some critics argue it is not ship-shape, says Tim Glover

Regan's targeting of Archer is on the line

If there was one area of England's play that was deemed to be in safe hands, it was the second-row partnership of Martin Bayfield and Martin Johnson. The British Lions pair, with a combined weight of 36 stone and if one were placed on the other's shoulders, a height of 13ft 5in, were considered to be the most effective in the Five Nations, perhaps the world.

As England's uninspired season moves uncomfortably to another momentous match against Scotland tomorrow somewhere along the line, or more specifically the lineout, the game plan has gone badly wrong. Following the defeat against France in Paris and the less than satisfying victory over Wales at Twickenham, Bayfield has been singled out as the player most responsible for the team's spectacular under-achievement in the lineout.

It is a primary source of possession, carrying more weight in the scheme of things than the scrum, and yet England's lineout has thus far been a disaster area. They play at Murrayfield without Bayfield, something that would have seemed inconceivable at the beginning of

the year. The selection of Garath Archer is a gamble but at least it gives Mark Regan a more familiar target to aim at. He has had all seasons for Archer practice at Bristol.

Regan has taken even more criticism than Bayfield. "Lightning" Regan his detractors have nicknamed him, on the grounds that he never strikes twice in the same place. Bayfield is 6ft 10ins but Regan has not been able to find him. The impression gained is that if you were picking a dart team, the Bristol hooker would be on the bench.

Jack Rowell has studied and re-studied the video and if there is a missing link in the lineout it is not in the England management's view, down to Regan. After the French fiasco Rowell telephoned Regan to offer some much-needed solace. "He said that no-one was blaming me and that boosted my confidence a hell of a lot," Regan said.

He would have needed another help line after the Wales game. If the lineout was bad against France it was even worse against the Welsh. "All the criticism I've had is definitely unfair," Regan said. "There are three parts to a lineout: the hooker to throw the ball; the jumper who

has to catch it; and the support players who have to protect him and give him a clean shot at it. In the last two games we haven't done particularly well."

"Against France I saw Martin Bayfield hit, barged and knocked all over the place and suffered exactly the same against Wales. I threw two pretty bad balls against the Welsh but I was just putting them in

The whole pack has got to live in each other's pockets during a game'

the year. We need to train against opposition. When we practised alone we looked fantastic. I put it up and Bayfield caught it every time but in a match it tended to sail over him so there was a problem there somewhere. He didn't seem to be jumping as high but it's an area the whole team has been working at. We've had to build

our confidence again in the lineout, and it's not just down to me. The whole pack has got to live in each other's pockets during a game and look after each other. We have been playing by the laws and we've been punished. We've got to be stronger. The lineout is always a jungle."

Fred Howard, the former international referee, believes the lineout is so shambolic it should be abolished. "I can see the purists cringing," Howard wrote in *Rugby News*, "but does even the most committed spectator really want to watch his side win just three clean lineouts per match as happened in

England's first two games?"

The feeling is that in jungle bayfield, a policeman who is now described as a professional rugby player, was more a saint than a lion and that Archer, aggressive to the point of belligerence, will not be pushed around. The problem is that Archer, like Martin Johnson, is predominantly a front jumper.

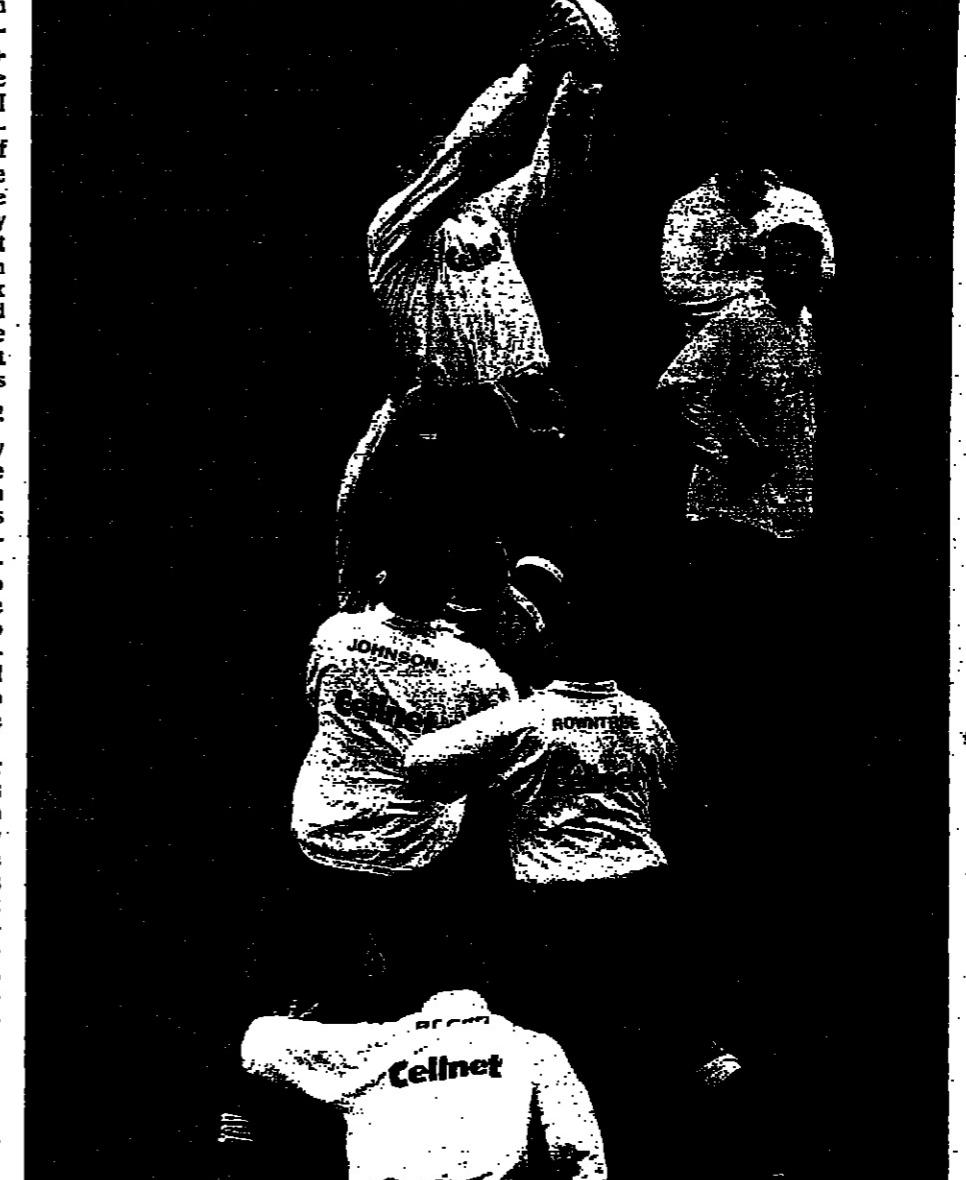
"It will be very interesting to see how he fares at number four," Brian Hanlon, Bristol's director of coaching, said.

With Simon Shaw injured, Bristol have been playing Archer in the middle of the lineout. "Mark and Gareth have been very effective at club level and their timing has been impeccable," Hanlon said. "They can dominate any game in the lineout. International rugby requires a higher level of concentration but if they can remain focused they can do the job.

"I've had a few chats with Mark about the England performances. He's an extremely accurate thrower who can hit the spot. It's just that sometimes I wonder whether he's been aiming at the right spot. Instead of throwing straight at his man he tends to throw down the middle of the lineout, giving every jumper a 50-50 chance. Against Wales Bayfield's ball was taken by Derwyn Jones and if Mark had thrown any higher it would have missed everybody. There was a problem over timing but if Bayfield ended up on his backside or being barged out, that is hardly the fault of Regan."

Some critics think there may be a flaw in Regan's technique but considering that he has been meticulously groomed for this role, a more plausible explanation is that he is suffering by comparison to Brian Moore. No doubt there were many in the RFU hierarchy who were glad to see the back of Moore but Bayfield, for one, will have mourned his retirement. When it came to hitting the bull's eye, Moore was in the Eric Bristow class.

Regan, who is 24, is bigger than Moore and 10 years younger. He was introduced to the game at the age of eight by the Keynsham club and in the England pecking order he has gone through the entire set menu: 16 age group, 18s, colts, students, Under-21s, emerging players and England A. He made his debut for England A in the 21-20 win over Ireland at Donnybrook last season and established himself as Moore's successor following a successful tour to Australia and Fiji in the summer. And, by profession, Regan is a fork-lift truck driver which, as it happens, is just what England's jumpers need at the moment.

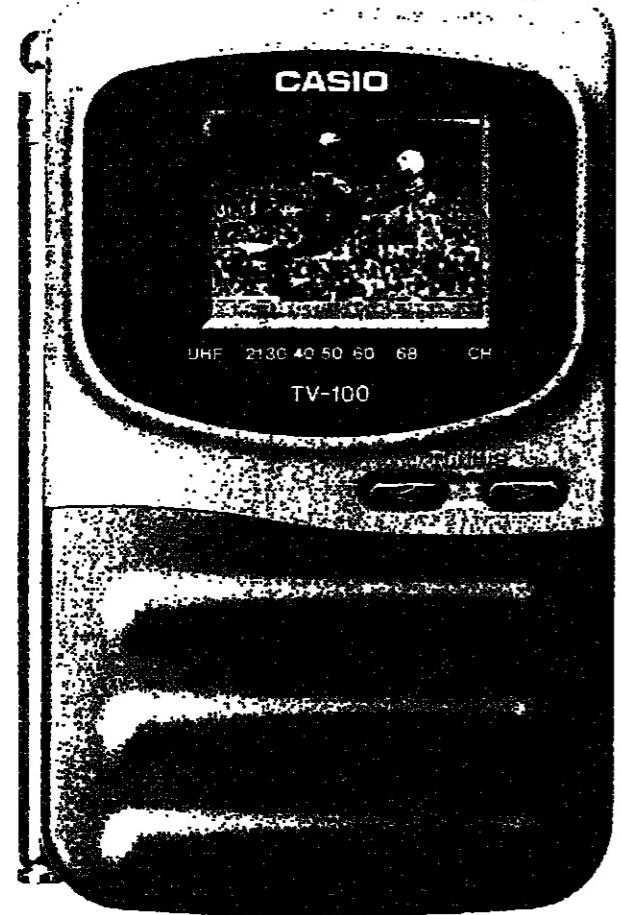


For the high jump: the England lineout rehearses yesterday

Photograph: Peter Jay

"It was the best save I've made this season."

Ken Pringle, Carlisle.



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Glory of Scotland's unlikely advance

After a calamitous build-up to the championships, the Scots engage England as favourites tomorrow. Steve Bale reports

CROWN and Calcutta Cup, not forgetting the newish Five Nations trophy, stand all glittering before them.

To hear Telfer talking, on the other hand, you might just wonder how on earth the Scots have got this far. The manager, who has this season developed himself into a curious mixture of mascot and martinet, says Scotland were lucky to win both away games, in Ireland and Wales, and verging on the suicidal in the way they beat France.

Mind you, this latter débâcle – its most pointed statistic being the 1-3 try-count – came only a fortnight before the championship opened and surely not even Dixon, who is just as canny as coach as Jim Telfer is as team manager, imagined that it foreshadowed a march all the way to the Grand Slam.

But if they achieved nothing else, these results lulled the rest of us into such a false sense of security that already Scotland have beaten Ireland, France and Wales – so that when they play England at Murrayfield tomorrow the Grand Slam, Triple

habit of playing like amateurs – if they will pardon the expression – in these days of open (professional) as well as open (Scottish) rugby – before Christmas. The 51-15 thrashing by New Zealand in 1993 was one such example, though perhaps more striking still was the 1994 equivalent when they lost 34-10 to South Africa, because that preceded going three-quarters of the way to a Grand Slam in '95.

Then, the unlikely Scottish advance was finally halted at Twickenham and they gave

a flea in the ear by Brian Moore, now the ex-England hooker, for having the temerity to stop Will Carling's boys playing the fast, loose rugby of which they liked to talk, and still do. How deliciously ironic that it should now be Scotland who have made a thrilling art form of playing fast and loose and that it will be England's choice either to copy the Scots of last year or this.

Either way, it is a fascinating prospect, though even Dixon could not have expected his team to have become the role-models of the Five Nations. Indeed, you could argue that all Scotland's first two matches did assist Telfer and Dixon in resolving who to pick, though that was clearly no bad thing.

Thus only eight of the team who faced Samoa in November survived to face Ireland two months later or England, tomorrow. The subsequent 29-17 defeat in Rieti had three specifically beneficial effects in persuading the selectors to restore Michael Dods on the wing, Ian Smith at open-side flanker and Doddie Weir at lock.

Telfer himself, that Scotland have been helped by the timetable of their fixtures to start the championship with Ireland was preferable to starting with anyone else. But let us be fair: at the time (and it is less than six weeks ago), the Scots did not have a prayer wherever they went. How wrong we were; how glad to be.

They might have hoped for more fine-out ball from Weir, but they could scarcely complain about the other two. Having been restored for his goal-kicking, Dods has not kicked as many as he would have liked but has compensated with three of Scotland's five championships; Smith has been the single most important forward in achieving the continuity necessary for the Scots' fluid rugby to function.

After the embarrassment in Italy, the need was not to develop a game-plan – Scotland already had one, even if it had not been working – but to develop the confidence to use it. That this has transpired is poignantly demonstrated by the continuing relegation of Craig Chalmers and Gary Armstrong, Lions half-backs both, to the replacements' bench.

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After the embarrassment in Italy

Dwyer's Cheltenham hopes hit by whip ban

Racing

GREG WOOD

It is not a remedy that you will find in a medical textbook, but the sight of AlderBrook winning at Kempton last weekend – with someone else holding the reins – seems to have significantly accelerated Norman Williamson's recovery from a shoulder injury. The champion hurdler's regular jockey will return to the saddle at Newbury this afternoon, and with less than two weeks left to the Cheltenham Festival, Williamson must try hard to forget the old saying that misfortunes come in threes.

After his victories in the Gold Cup and Champion Hurdle last season, Kim Bailey's stable jockey was expected to consolidate his new position in riding's elite during the current campaign. So far, though, he has simply had plenty of time to catch up on his reading. A fall at Sandefjord in October left him with a broken leg, and during his first subsequent ride in Britain, on Eskimo Nel in the Tote Gold Trophy at Newbury

in February, he dislocated his right shoulder in a fall at the fifth flight.

Cyrus the Great will be the vehicle as Williamson attempts to end his dreadful run of bad luck at the last race on today's card, a juvenile novice hurdle. "I saw a specialist last night and he was happy for me to return," Williamson said yesterday. "I'm just going to stay off the ground. I'm just having one ride and I might have a couple on Saturday. We'll just have to see if I get on."

Williamson's luck was no better at the Festival two years ago, when a suspension forced him to watch Flakely Dove, one of his regular mounts, winning the Champion Hurdle under Mark Dwyer. This year, however, it is Dwyer who will be a spectator on the first day at Cheltenham, after he was banned for three days 9.11 and 12 March, by the stewards at Nottingham. The officials decided that Dwyer had used his whip with unreasonable frequency on Master Nova, runner-up by just a head to Barone

when 11-8 favourite for the card's novice hurdle.

"It won't appeal as there's no point," Dwyer said later. "It's the first time I've ever been in trouble over misuse of the whip in Britain, though I have been suspended twice in Ireland. It was disappointing not to get just two days as it was my first offence over here and that would have meant not missing the first day of Cheltenham."

Chris Pimlott, Dwyer's agent, said: "At this stage he did not have a confirmed Champion Hurdle mount. It would have been much worse if this ban had affected the other two days of the Festival when he has some really good rides."

A jockey in a better mood was Andrew Thornton, who rode a hat-trick at Ludlow and avoided considerable embarrassment in the process. At the 14th fence in the handicap chase, Thornton's mount Maunus and Tony McCoy, riding Rectory Garden, jumped together, but McCoy seemed sure to hit the deck when his mount made a bad mistake. Thornton, though, reached across and hauled him back into the saddle.

"Tony was going out of the back and side door," Thornton said. "And he needed something to grab hold of. It was funny, but it wouldn't have been if he'd beaten me."

Master Oats beat 14 rivals in last year's Gold Cup, but one trainer at least is hoping that rather fewer runners go to post for this year's renewal. General Rusty has not run since his success in the Charisma Gold Cup at Kempton in mid-October and his official rating does not put him within three stones of One Man, but unlike many of the other entries, Charlie Mann's chaser is a confirmed lover of fast ground.

"We'll leave him in the Gold Cup just in case it is fast," Mann said yesterday. "Then the likes of Master Oats, Monsieur Le Cure and Imperial Call would come out and it might become just a five or six runner race. It's a long shot but you never know."

In fact, with clear skies over much of Britain and the track at Cheltenham untouched since early December, the odds on Mann getting his wish are shortening by the day.

Cigar's heat subsides to allow training

Cigar's trainer, Bill Mott, believes that America's Horse of 1995 will be able to resume training tomorrow after bruising his off-foot hoof in Florida last week.

Cigar has made good progress since the setback but

was unable to resume training on Wednesday due to heat in the affected hoof.

Mott has expressed the need to get at least two pieces of work into the horse before 15 March in order to have any chance of making the Dubai World Cup

line-up at Nad Al Sheba on 27 March.

The setback has already cost the connections of Cigar a \$2m bonus as he was unable to contest the Santa Anita Handicap last weekend. The bonus is for winning that race, the Holly-

wood Gold Cup and the Pacific Classic, provided each event attracts at least six runners.

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Lindsay bullish as Super League lays on glitz

Rugby League

DAVE HADFIELD

After the glitz comes the glitz, with the European Super League and Sky TV insisting at a spectacular launch yesterday that their vision remains intact despite events in Australia.

Rugby league's forthcoming inaugural summer season was

given its most powerful push so far in a London hotel, with everyone involved pledging to make it bigger and better than anything the sport has yet seen.

But the court verdict in Australia that is preventing the southern hemisphere equivalent from kicking off this weekend was never far from centre stage.

The European Super League's chief executive, Marc

Lindsay, did his best to allay fears, that, without Australian teams to compete against at the end of this season, his own competition is fatally wounded.

"I am confident that there will be play-offs at the end of the first Super League season," he said.

"Matters will stabilise in Australia and then we will be able to reveal further details to you."

Lindsay also revealed that the

Australian Rugby League chairman, Ken Arthurson, had contacted him during his recent visit to Australia, raising hopes that the two men, on opposite sides of an often acrimonious worldwide battle, could yet reach an accommodation.

He was also adamant that Great Britain's tour to the southern hemisphere this autumn will go ahead, taking in Papua New

Guinea and New Zealand and, if necessary, fitting in Fiji and Western Samoa in place of the Australian section of the itinerary.

The main object of the exercise, however, was to show that, whatever happens in Australia, the show here goes on. With just four weeks to go before the first Super League match, between Paris and Sheffield Eagles, Sky and the competition's sponsors,

Stone's, were talking about the same level of promotion and commitment that has been brought to football's Premiership.

"We intend to support and commit ourselves to rugby league to the same extent," said Bass brewer's head of sponsorship, Jonathan Nye.

Sky's own advertising campaign, which began today promises to be "equally high

powered." You will see a marketing campaign second to none," said Sky's head of programming, David Elstein.

In Australia, Super League-aligned players from the Brisbane Broncos and the Canberra Raiders, two of the eight clubs banned from breaking away

from the ARL, are to play a high-profile friendly match in Brisbane this weekend. The

ARL has delayed the start of its own season by two weeks.

The Scottish businessman, Bob Jamieson, has failed in his bid to take over Workington.

His rescue package has been rejected by the club, which is almost £1m in debt.

The former Great Britain international Graeme Hallas, 25, has signed for Hull after an unsuccessful spell with the ARL.

Gullit greets Cup fever with a grin

Dutch master tells Glenn Moore he is happy wearing Chelsea boots

When Ruud Gullit signed for Chelsea during the summer it was not just those of a cynical disposition who looked at his alleged wages, considered doubtful about his fitness, and decided he had opted for lucrative semi-retirement in London.

The Dutchman's consistency, and his central role in Chelsea's steady development, have long dispelled those doubts. He has set the best possible example, on and off the pitch. Now, as with Jürgen Klinsmann last year, thoughts are turning to Wembley in May. While Klinsmann's Wembley quest assumed a momentum more akin to the US presidential elections – until it crashed into Everton – Gullit is seeking to keep his progress more low-key.

"An FA Cup match is the same as any other," he said after Chelsea breezed into the last eight with a 4-1 fifth-round replay win over Grimsby Town on Wednesday. "It is like playing in the European Cup, only when you get to the final is it different."

"I played twice at Wembley for Holland but, once you get on the pitch, it does not matter where you are. You are fixed on what you are doing, maybe you notice it when you have won."

Gullit is, however, passionate about the Chelsea team, and his own continued pursuit of excellence. "At the beginning of the season we had 17-3 down. The 5-0 [v. v. over] Middlesbrough four weeks ago was not such a good moment because, after it, we got a bit sloppy. We

thought 'we have done it now'. You only win games when you compete for every metre – or, as he added with a grin, "as you would say, every yard."

"We won this match but there is nothing to celebrate yet. When you are in the final you have something to look forward to – that is what you learn during your career."

"I still believe I can play better than I did at Milan. Every day you learn something. If you think you have achieved everything you have nothing to do. I had never played in England. I try to use my experience and learn from their experience. You only stop learning when you quit. You have to be open to everything. Football develops, it becomes quicker, players develop as athletes."

"In Italy players are more patient when building an attack; there is more passing football."

In Italy a striker is just preparing himself for the last moment. Here they are working the channels all the time, going from left to right, to left again. Sometimes they are so tired they are not ready when the moment comes.

"I have told them not to do that. I want Spenni [John Spencer] and Mark [Hughes] to be sharp. I do not want Spenni running from left to right. I want him here," he said, gesturing in front of him, "where I can find him. He is a good professional, he wants to improve. Besides, it is what a striker wants to hear. I run, but I do not run for nothing."

Powling's marathon men take on McIlroy in Trophy

Non-League notebook

RUPERT METCALF

Sudbury Town's proud recent history includes a trip to Wembley for an FA Vase final, and if they repeat that feat in the FA U21s Trophy this year they will have done it the hard way.

The Suffolk club have already played 10 games (and endured four periods of extra time) just to progress from October's first qualifying round to this weekend's third round proper. They needed two replays to see off Salisbury in the second qualifying round while their first-round saga involving another Wiltshire side, Trowbridge, lasted four matches.

Tomorrow, in the Trophy's last-16 stage, they travel to Cheshire for a tie at the GM Vauxhall Conference champions, Macclesfield Town. Both sides are managed by former First Division footballers, Sammy McIlroy, once of Manchester United

and Northern Ireland, is in charge of Macclesfield, while his counterpart at Sudbury is Richie Powling, a tough-tackling full-back with Arsenal in the 1970s. It's a gigantic task, going there," Powling said yesterday. "but anything is possible..."

Sudbury's climb up the non-League pyramid has been swift. A year after facing Tamworth (who won after a replay) in the 1989 Vase final in front of a Wembley crowd of 26,457, Sudbury were promoted from the Jewson Eastern Counties League to the Beazier Homes League. They were promoted again to the Premier Division two years ago, and Powling has assembled an experienced side with a good mixture of League and non-League stalwarts.

Another former Arsenal player, Brian McDermott, is the new player-manager of the struggling Conference club, Slough Town, following the departure of Dave Russell.

Badminton

ENGLAND'S RENEWED MASTERS TEAM: 12 March: Men's singles: D. G. Morris (1), S. M. Hedges (2), C. H. Hockin (3); Women's doubles: M. Black (1) and J. Davies (2); Mixed doubles: M. Robertson (1) and S. Burchell (2)

South Africa, lifted by a crucial half-century from Darrell Cullinan, beat the World Cup holders, Arsenal, in five sets in their Group B match in Karachi yesterday.

Cullinan blended dashing strokeplay with disciplined defence to make 65 and, with his captain Hansie Cronje proving a staunch ally, steered his team to 203 before he was fifth out. Cronje started to finish the job with an unbeaten 45 as South Africa scored 343 for 5 off 442 overs to stay top of the group with four wins out of four.

Pakistan had earlier scored 242 for 6 in their 50 overs, with Aamir Sohail making an emphatic return to form with a fine 111. The opener, heavily

Cricket

Pakistan 242-6

South Africa 243-5

(South Africa win by 5 wkt)

the lead forged by the Scot, Paul Lawrie. The 27-year-old from Aberdeen had nine birds in his first 16 holes and then reached the green in two at Bon-

mont's treacherous 569-yard 17th, a hole that had

earlier seen Russell Clayton, from Cambridge, take 11. But, in trying to hole his 20-foot eagle attempt,

Lawrie knocked the ball four feet past the pin and missed the return. The par five meant he had to settle for a 65 and only a one-stroke advantage over the promising Englishman, 20-year-old David Howell, and the Spanish pair of Domingo Rocca and Fernando Rocca.

Photograph: Allsport

Cullinan and Cronje finish off Pakistan

Cricket

Pakistan 242-6

South Africa 243-5

(South Africa win by 5 wkt)

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Photograph: Allsport

Look and learn for England

England watched live television coverage of South Africa's five-wicket victory over Pakistan yesterday, and they could not have failed to appreciate the Springbok's tactics – master-minded by their coach, Bob Woolmer – and the wicketkeeper Rashid Latif, who has a bruised finger.

Woolmer said his players were "down" after the defeat, adding: "I misread the pitch. I thought it might have done more. We all make mistakes."

Adams, who took one for 42 in his first match in the tournament, said: "It is not easy to play him," said Cronje, "but Adams is a player for the big occasion."

Woolmer said his players were "down" after the defeat, adding: "I misread the pitch. I thought it might have done more. We all make mistakes."

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